



EUROPEAN  
COMMISSION

Brussels, 4.6.2025  
SWD(2025) 220 final

**COMMISSION STAFF WORKING DOCUMENT**

**2025 Country Report - Austria**

*Accompanying the document*

**Recommendation for a COUNCIL RECOMMENDATION**

**on the economic, social, employment, structural and budgetary policies of Austria**

{COM(2025) 220 final}

# Austria

## 2025 Country Report



# ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Austria's economy is going through a three-year recession

**In 2025, Austria is likely to experience recession for the third year in a row.**

After contracting by 1.2% in 2024 and 1% in 2023, GDP is expected to fall by 0.3% in 2025. The government deficit is expected to be well above 4% exceeding the treaty threshold.

**The downturn is driven by a weakness of industry, broad-based cost pressures and lower exports.**

Industrial production dropped by 5% in 2024, with reductions in intermediate goods, durable consumer goods and capital goods most pronounced. Austria has lost cost competitiveness since 2019, with nominal unit labour costs increasing 10% more than the euro area average, mostly due to higher inflation<sup>(1)</sup>. Goods exports, notably manufactured goods and machinery, have declined by 5.9% in 2024. Increasing trade tariffs are expected to harm exporters further, as the USA is the second most important destination for Austrian goods exports after Germany.

**Having declined in 2023, private consumption stagnated in 2024.**

Russia's war of aggression against Ukraine and the ensuing energy and inflation crisis had a

lasting impact on consumer confidence in Austria, leaving it significantly below its pre-pandemic average. Real disposable household incomes overcame a long period of decline and stagnation, finally sustainably surpassing their 2008 peak in the second quarter of 2024. However, the additional incomes did not boost demand and mostly went into savings, with the gross savings rate increasing by roughly 2 percentage points to reach 18.4%, a value unseen in non-pandemic times since 1995.

**Investment shrank in 2023 and 2024, driven by a decline in construction and equipment investment.**

Higher interest rates put a halt to a construction boom and a strong rise in house prices that had been developing since 2015<sup>(2)</sup>. In 2024, new building permits for residential buildings were 54% below their peak in 2021. Equipment investment declined by 4.7%, reflecting the struggling industrial sector. However, in 2025, some stabilisation of investment is expected as the volume of mortgage loans picked up in the second half of 2024<sup>(3)</sup>.

**After reaching very high levels in 2022 and 2023, inflation declined in 2024.**

Inflation reached a peak of 8.6% in 2022, stayed very high in 2023 at 7.7%, but declined in 2024 to 2.9% thanks to declining energy prices. However, the

---

<sup>(1)</sup> In 2019, Austrian nominal unit labour costs exceeded the euro area average by 6.4%. In 2024, they were 16.5% higher. See Eurostat: Labour productivity and unit labour costs. nama\_10\_lp\_ulc.

---

<sup>(2)</sup> European Commission 2024, *Alert Mechanism Report 2025, Statistical Annex*.

<sup>(3)</sup> OENB, 2025, [Sinkende Kund:inneninssätze bei Krediten und Einlagen - Oesterreichische Nationalbank \(OeNB\)](#).

phase-out of energy-related relief measures together with higher oil prices led the inflation rate to increase again at the start of 2025. It is now expected to stay above 2% in 2025 (2.9%) and 2026 (2.1%)

**Despite the recession, the labour market has remained resilient.**

The unemployment rate has been on the rise since its low point of 4.8% in 2022, but it is expected to remain contained at 5.3% in 2025. The employment rate has been stable at 77.2%. This modest deterioration in the labour market also has to do with demographic trends and shifts in working hours. 2024 was the first year in which Austria's working age population started declining. At the same time, the recourse to part-time work, which is already the second largest in the EU at 30.7%, increased further, thus reducing the total working hours per person employed. The number of people employed stayed roughly constant due to migration and the increasing number of women and older people working, reflecting the gradual increase in women's statutory retirement age. Over the coming years, the total number of people employed is expected to continue increasing slightly despite the decline in the working age population, but it is not clear whether this would also lead to an increase in total hours worked. These demographic trends and behavioural shifts reduce Austria's capacity to grow in the long run.

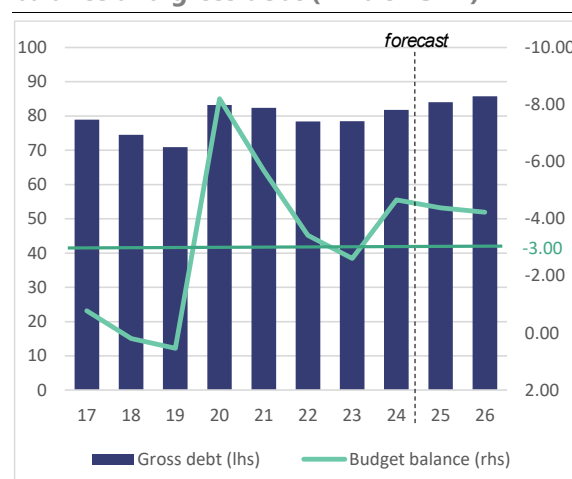
**Labour productivity is comparatively high, but its growth has been slowing down since 2008.**

In 2023, labour productivity in terms of GDP per hours worked was 116% of the EU average, placing Austria in the top quartile of EU Member States. However, labour productivity growth has seen a structural decline since the financial crisis in 2008. From 1995 to 2007, annual growth of labour productivity averaged 1.8%, but since then, the rate has dropped to 0.6%,

with the construction sector being an important driver of the slowdown in growth. In the same vein, total factor productivity (TFP) growth declined from an average of 0.8% (1996-2005) to 0.4% (2006-2019) <sup>(4)</sup>. While declines in TFP growth are being observed in many advanced economies, in Austria the trend of TFP growth is now below the euro area average. This development is perilous for long-term growth prospects, especially as the most important factor of production – labour – is set to decline as well.

**Deficit remains high despite fiscal consolidation efforts**

Graph 1.1: General government budget balance and gross debt (in % of GDP)



Source: European Commission, Spring Forecast 2025

**Austria faces significant fiscal consolidation challenges.**

These include the ageing-related increase in public spending on pensions, health care and long-term care. In part due to the deteriorated economic situation, the public debt ratio is expected to remain high, reaching around 84.0% and 85.8% of GDP

<sup>(4)</sup> Austrian Productivity Board, 2024: *Annual productivity report 2024*.

in 2025 and 2026 respectively. In 2024, the deficit reached 4.7% of GDP. A deficit of 4.4% and 4.2% is projected for 2025 and 2026. Austria's newly formed government has committed to consolidation measures aiming to achieve savings of EUR 6.4 billion in 2025 and EUR 8.4 billion in 2026.

**Rising public spending in Austria driven by inflation and ageing costs.** In 2024, net expenditure in Austria grew by 8.7% (see Annex 1). This increase is mainly driven by high spending on public salaries, pensions and social expenditure due to inflation indexation and other ageing-related costs continue to weigh significantly on public finances. In 2025, net expenditure is forecast by the Commission to grow by 2.0%, which is below the maximum growth rate committed to by Austria in its medium-term fiscal structural plan <sup>(5)</sup>.

**Defence expenditure is planned to increase gradually from a low level.** While Austria's neutrality <sup>(6)</sup> is enshrined in its constitution and upheld by the new government, the country is slowly strengthening its defence capabilities. Austria's defence budget amounted to 0.7% of GDP in 2024 but is envisaged to gradually increase under the Austrian Armed Forces Development Plan 2032+.

**Austria's federal structures rely on a complex system of intergovernmental transfers, which may constrain the efficiency of public spending.** Nearly one-third of all tax revenues are redistributed from the federal government to the *Länder* (federal states) and municipalities through the fiscal equalisation system and other

mechanisms <sup>(7)</sup>. While these sub-national entities play a crucial role in delivering essential public services, such as care and public transport infrastructure, they have limited tax autonomy. Ideas have been put forward to reform the fiscal equalisation system <sup>(8)</sup>. These include aligning tax, spending and financing responsibilities, achieving transparency as well as responsibility and accountability, extending regional tax autonomy, and reducing the number of policy fields resting on mixed financing, joint responsibilities, and fragmented decision-making, as a way to enhance fiscal sustainability and efficiency.

**Austria's tax mix is highly reliant on labour income and consumption, with property and environmental taxes playing a secondary role.** Labour taxation and social contributions are among the highest in the EU, hindering job creation and participation in the job market. In recent years Austria has made some progress by shifting towards tax types that are more supportive of sustainable growth. For example, in 2022 Austria introduced a national CO2 price for fossil fuel used in sectors not yet covered by the EU ETS, in advance of the introduction of ETS2. Despite these efforts, environmental taxes and property taxes remain underused. Austria has a relatively low VAT compliance gap <sup>(9)</sup>. As part of its consolidation effort, the new government has introduced a

---

(5) Austria submitted its [medium-term fiscal-structural plan](#) on 13 May 2025.

(6) In 1955, Austria passed a constitutional law on 'perpetual neutrality' which prohibits any membership in military alliances and the setting up of foreign military bases.

---

(7) Mitterer & Pichler (2023), [Factsheet Finanzausgleich Kompakt 2023](#). KDZ, Zentrum für Verwaltungsforschung.

(8) Schratzenstaller, M. (2015). *Reforming Austrian Fiscal Federalism: Options, Obstacles, and Pitfalls*. In G. Bischof & F. Karlhofer (Eds.), *Austrian Federalism in Comparative Perspective* (Vol. 24, pp. 54-69). University of New Orleans Press. <https://doi.org/10.2307/j.ctt1n2txpf.8>.

(9) The VAT compliance gap is the estimated difference between potential VAT revenue under full compliance and the actual amount collected by tax authorities.

series of taxation measures. These include an increase of the bank levy, a five-year extension of the energy crisis contribution by energy producers, the removal of VAT exemptions for small solar panel systems and the exemption from motor vehicle insurance tax for electric vehicles, increases of tobacco tax and gambling tax and an extension of the increase in the tax rate for high income earners.

**Relatively low statutory and effective retirement ages contribute to significant pension expenditure.**

Pension expenditure is expected to increase from 14.2% of GDP in 2024 to 15% of GDP in 2030, before falling back to 14% of GDP in the long term, significantly above the EU average <sup>(10)</sup>. Overall, Austria is still lagging behind the EU average regarding the effective retirement age (62.6 for men and 60.5 for women compared to an EU average of 63 for men and 62.7 for women in 2022) <sup>(11)</sup>. Some significant reforms were introduced between 2000 and 2012 to increase the effective retirement age, while a reform in 1992 contributed to raising the female statutory retirement age to 65 gradually between 2024 and 2033. However, more recent pension measures have mostly been one-offs of limited scope, and pensions levels have been increased above the reference value mandated by the law. The government has announced its intention to tighten access to the 'corridor pension' early retirement scheme, which would bring some savings by contributing to increasing the effective retirement age.

**Demographic ageing also poses a growing challenge for other social protection pillars.** Austria's public healthcare expenditure is projected to

increase by 1.2 pps of GDP from 7.7% in 2024 to 8.9% in 2070 – double the EU average increase of 0.6 pps. Long-term care expenditure is projected to increase from 1.6% to 3.1% of GDP in 2070<sup>(12)</sup>. The 2023 healthcare reform aimed to strengthen primary care, health promotion and disease prevention, to expand digital health services, and to pursue structural reforms in the hospital sector. However, a clear strategy on how to ensure that the increased availability of primary care services does not duplicate existing specialist care services and capacities is still lacking. Hospital infrastructure continues to be heavily relied upon, despite efforts to shift towards more sustainable care models. Furthermore, regions and the social insurance frequently exceed the agreed annual spending ceilings, limiting their effectiveness. Regulatory measures could help to reduce hospital use and drive structural changes by aligning financing and spending responsibilities.

**Long-term care is a pressing priority.** The recent long-term care reform packages improved staff training and working conditions in the care sector, while increasing financial support for caregiving relatives and for live-in care services. However, fiscal sustainability challenges were not addressed. A large part of public expenditure covers in-kind services in institutions, whereas home-care services would be more cost-effective. Furthermore, asset-testing in all care settings could bring significant savings. The recovery and resilience plan (RRP) also includes a series of measures promoting primary healthcare and target-based governance in long-term care.

---

<sup>(10)</sup> European Commission, 2024, *Ageing Report 2024*.  
See also Annex 1.

<sup>(11)</sup> *ibid*.

---

<sup>(12)</sup> European Commission, 2024, *Ageing Report 2024*.  
See also Annex 1.

Declining productivity growth, energy costs and regulatory barriers are significant challenges

**Despite having a well-developed innovation system, Austria struggles to translate new ideas into business dynamism and productivity growth, experiencing a notable decline in total factor productivity growth since 2008.**

The innovation system tends to support incremental innovation in established sectors, rather than breakthrough innovation and emerging technologies, and the economy struggles to generate higher business growth and productivity. A shortage of venture capital hinders young innovative firms, and the regulatory environment poses a challenge, with bureaucratic hurdles dampening competition, in particular in professional services <sup>(13)</sup>. To boost high-impact innovation, further efforts are needed to support top-level research in emerging fields.

**The significant increases in energy prices have far-reaching implications for competitiveness.** Given its high import dependence on fossil fuels, Austria has experienced substantial energy price increases, leading to a sharp rise in unit energy costs across all industries in 2021-2022. The energy-intensive sectors have been particularly impacted. After the expiry of emergency measures to cushion the effects of price spikes, attention needs to move towards measures for sustainable price reductions covering all cost components. Additional national measures to decouple electricity and gas prices such as expanding storage, improving flexibility

of the energy system or incentivising power purchase agreements, would also help to alleviate price pressures.

**Cost-effective solutions are necessary to achieve decarbonisation.** The strong increase in green subsidies and tax exemptions over the past few years has been effective at reducing greenhouse gas (GHG) emissions but is increasingly difficult to sustain. As part of ongoing budget consolidation efforts, it is important to evaluate and reconsider the cost-effectiveness of subsidies and to shift to less costly, more long-term alternatives, such as the phase-out of fossil fuel subsidies, use of regulation and increased incentives for private investment. At the same time, it will be paramount to maintain the high ambitions and pace of the decarbonisation effort.

**The labour market is constrained by structural weaknesses, such as skills shortages, low working hours and a shrinking working-age population.** In 2023, more than half of Austrian small and medium-sized enterprises identified the lack of adequate skills within the workforce as a key constraint for business activities <sup>(14)</sup>. In addition, despite the ongoing recession, the vacancy rate remains the third highest in the EU at 3.6% (EU average 2.9%) indicating that labour supply remains a bottleneck for growth.

---

<sup>(13)</sup> OECD 2025: *Services Trade Restrictiveness Index: Austria* (10 Feb 2025).

---

<sup>(14)</sup> European Commission, [Flash Eurobarometer 529](#), 2023

**UN Sustainable Development Goals (SDGs)**

Austria performs well and continues to improve on SDGs related to productivity and macroeconomic stability (SDGs 8, 9 and 16). It is likewise improving on competitiveness-related indicators that form part of quality education (SDG 4). The picture on SDGs related to fairness (SDGs 1, 3, 4, 5, 7, 8, 10) is more mixed than previously, and Austria needs to catch up on partnerships for the goals (SDG 17) (see Annex 15).



## Barriers to private and public investment

Amid difficult economic conditions, firms tend to prioritise replacement investment, preserving existing production capacity rather than investing in expansion.

According to reports by Austria's productivity board<sup>(15)</sup> and the European Investment Bank (EIB)<sup>(16)</sup>, the most important factors slowing private investments are:

- **Extensive bureaucracy.** A complex, partly fragmented regulatory landscape, long permitting and investment approval procedures put a strain on both public and private investment.
- **Lack of skilled labour.** Well over 80% of Austrian companies report a lack of skilled labour as an obstacle to investment.
- **Limited access to risk financing.** Despite publicly funded schemes, an underdeveloped private equity and venture capital market is not able to cover all the financing needs of innovative fast-growing firms.
- **High production costs.** Energy costs for industrial end-users above the EU average<sup>(17)</sup> and high unit labour costs place a significant financial burden on firms.

**Barriers to public investment** mainly stem from Austria's limited government budget. Fiscal consolidation needs limit the government's financial resources that could be used to stimulate economic growth and invested in infrastructure needs for the green and digital transition. The implementation of Austria's RRP is well underway. At present, Austria has fulfilled 25% of the milestones and targets in its RRP.

It remains important to accelerate the implementation of cohesion policy programmes. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition. While Austria has leveraged **Strategic Technologies for Europe Platform** to reallocate some Cohesion Policy resources towards this priority, it can further support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

<sup>(15)</sup> Austrian Productivity Board, (2024), *Annual productivity report 2024*.

<sup>(16)</sup> EIB (2025), EIB Investment Survey 2024 Country Overview: Austria.

<sup>(17)</sup> European Commission (2025), *Study on energy prices and costs – Evaluating impacts on households and industry – 2024 edition*,

# INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

## Enhancing innovation and risk financing

**Austria performs significantly above the EU average in R&D expenditure in the business and public sectors.** Austria has a well-developed innovation system that relies on a solid public research base and a functioning science-business collaboration, with a high number of public-private scientific co-publications. In 2024, Austrian expenditure on R&D in the public sector was 141% of the EU average, while in the business sector its expenditure stood at 150% of the EU average <sup>(18)</sup>. In 2023, R&D spending was the third highest in Europe at 3.26% of GDP, benefiting from strong R&D expenditure by enterprises (2.27% of GDP vs the EU average of 1.47%) <sup>(19)</sup>. However, there are marked regional differences, with Styria standing out at 5.2% of regional GDP, whereas R&D spending in the federal states of Vorarlberg, Lower Austria, Salzburg and Burgenland was well below the EU-27 average of 2.3% (2022). Most spending in Austria is directed towards applied research with only 19.1% going towards basic research <sup>(20)</sup>. While patenting activity remains significant, it has been steadily

weakening over the past decade (3). Austrian universities do not achieve top rankings in international comparisons.

**At the same time, new ideas do not necessarily translate into business dynamism and productivity growth.**

Austria's strong public support for innovation, mainly through R&D tax incentives (fourth highest in the EU, EUR 1.27 billion in 2023 <sup>(21)</sup>), tends to focus on incremental innovation in long-established medium-high tech sectors. In 2022, employment in knowledge-intensive services (39.8%) was slightly below the EU average (40.8%). Domestic value added in the exports of high and medium-tech manufacturing and of knowledge-intensive services also remains behind the EU's innovation leaders <sup>(22)</sup>. To boost high-impact innovation, further efforts could be considered to support top-level research in emerging fields and breakthrough innovation. In this context, the 'excellence initiative' and the COMET programme (Competence Centres for Excellent Technologies) are useful initiatives, focusing on application-oriented cutting-edge research and supporting direct transfer of new knowledge into market-ready products and services. 2024 saw the launch of a new excellence centre (Battery4Life) targeting e-mobility technologies.

---

<sup>(18)</sup> European Commission, 2025: [European Innovation Scoreboard 2024: Austria](#).

<sup>(19)</sup> Eurostat, 2025: [Research and development expenditure, by sectors of performance](#)

<sup>(20)</sup> Statistik Austria (2021, Forschung und experimentelle Entwicklung 2021 [https://www.statistik.at/fileadmin/user\\_upload/FuE2021.pdf](https://www.statistik.at/fileadmin/user_upload/FuE2021.pdf)

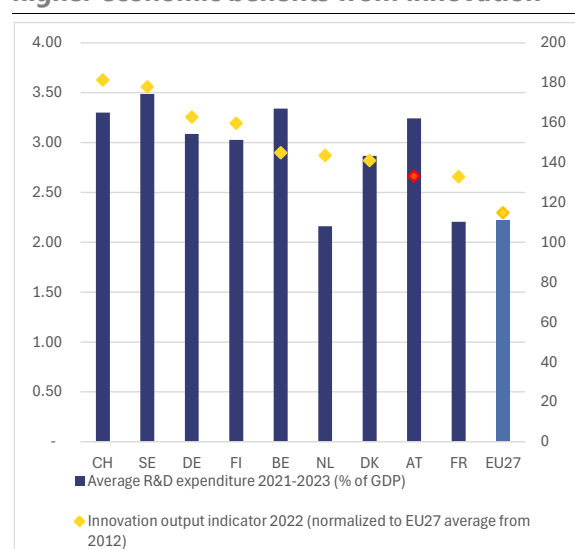
---

<sup>(21)</sup> Austrian Federal Ministry of Finance, 2024: *Förderungsbericht 2023*.

<sup>(22)</sup> European Commission, 2024: *Innovation Output Indicator 2023*.

**A more systematic review of existing support schemes could help identify gaps and reduce overlaps in the innovation system.** To this end, the new government programme contains several measures to increase the impact of innovation support schemes for businesses and to focus more on key technologies, including digitalisation, artificial intelligence and quantum technology. A new taskforce on subsidy efficiency will evaluate and optimise all existing schemes and develop a comprehensive strategy for efficient allocation of subsidies. To reduce bureaucratic hurdles, the government also plans to create a new one-stop-shop for all subsidies targeting industrial transformation.

Graph 2.1: **Leveraging R&D spending to reap higher economic benefits from innovation**



Source: Eurostat, Innovation Output Indicators<sup>(23)</sup>

**Slow adoption of advanced digital technologies among businesses and insufficient broadband coverage, particularly in rural areas, further**

**constrain productivity growth.** While companies demonstrate strong uptake of artificial intelligence, they lag behind the EU average in the adoption of cloud and data analytics. Targeted measures, such as financial incentives, cloud and data infrastructure support, and digital skills development, could enhance adoption – especially among small and medium-sized enterprises (SMEs) and innovative start-ups/scale-ups. On digital infrastructure, Austria's very high-capacity network (VHCN) coverage is also below the EU average (68% vs the EU average of 79% in 2024), being one of the weakest performers in rural coverage (36% vs the EU average of 56%). Limited gigabit infrastructure risks slowing Austria's digital transformation, affecting business digitalisation, cloud adoption, artificial intelligence deployment and digital public services uptake. Austria would benefit from sustaining its deployment efforts to continue a positive trajectory. The country has recorded one of the highest VHCN coverage increases in the EU in recent years and is implementing the Broadband Austria 2030 initiative (partly funded by the RRF) with the goal of achieving 100% VHCN coverage by 2030.

**Low business dynamism makes it more difficult for new ideas with entrepreneurial potential to emerge and grow.** The share of new business formation stood at 6% in 2022, thus 2 pps below the EU average. The share of high-growth firms stands at 7.8% relative to the EU average of 9.2%. Providing better support to start a business, also by promoting spin-offs, incubators and accelerators, mentorship, networking opportunities and initial resources to start-ups, could help develop a more dynamic innovation environment. Moreover, there is a noticeable gap in innovation activities between large companies and SMEs, highlighting the need to tailor support measures to the needs of fast-growing SMEs. Since 2024, a new

<sup>(23)</sup> [The Innovation Output Indicator](#) (IOI) measure countries' capacity to derive economic benefits from innovation. Among other things, it tracks the extent to which innovative ideas reach the market, boost technological capability and the number of knowledge-intensive jobs.

flexible company form, 'Flexible Kapitalgesellschaft', has been available, offering founders and start-ups a simplified process for issuing shares and for share ownerships, with around 800 such firms founded in the first year <sup>(24)</sup>.

**Easier access to risk capital could boost business growth and productivity.** The local venture capital market is not yet sufficiently developed to meet all the financing needs of innovative fast-growing firms. This is exacerbated by reliance on bank loans, which has led to low capitalisation of domestic companies compared to international peers. Easier access to risk capital can help more young companies grow, but also achieve higher multi-factor productivity gains, in particular of companies that operate below the productivity frontier <sup>(25)</sup><sup>(26)</sup>. The average value of private equity investment went up to 0.2% of GDP in 2021-2023 from 0.15% in 2015-2020, but it is still well below the EU average (0.6%). For venture capital, investments increased to 0.08% of GDP in 2021-2023, in line with Austria's EU peers (Annex 5). Although a wide variety of funding instruments are available, risk financing for start-ups and scale-ups can be further improved. Limited equity funding is partly due to low institutional investor participation, hindering the market's ability to support young businesses in later stages. Removing barriers, such as unequal tax treatment of equity and debt, could help pension and insurance funds play a bigger role in financing fast-growing companies.

---

<sup>(24)</sup> Austrian [Federal Ministry of Economy, Energy and Tourism](#), 2025: *Flexible Kapitalgesellschaft (FlexCo) hat sich erfolgreich etabliert*

<sup>(25)</sup> OECD, 2024: *Economic Surveys – Austria* (Jul. 2024).

<sup>(26)</sup> "productivity frontier" refers to the maximum productivity level achievable by companies in a given industry or economy, typically represented by the most efficient and innovative firms

To this end, the new government plans to establish a new fund of funds ('rot-weiß-roter Dachfonds'), to further develop the Venture Capital Funds Act (*Wagniskapitalfondsgesetz*), and to extend the Future Austria Fund ('*Fonds Zukunft Österreich*') until 2030, with a budget allocation of EUR 200 million per year.

### Reducing regulatory barriers and red tape to facilitate business investment

**There is scope to significantly simplify regulation and reduce the administrative burden for businesses.** The complexity of regulations is reported to be a barrier to long-term investment <sup>(27)</sup>. The industrial code regulates access to many professions. It primarily ensures quality standards and consumer protection, but it also limits competition by putting up barriers to entry, especially for professionals from abroad. The industrial codes are laid down at the Länder level, but their rules sometimes diverge, which contributes to making the regulatory environment more complex. Moreover, Austria has nine separate building codes, together with a host of different and sometimes contradictory building standards, which make construction and especially renovation projects inefficient. Difficulties in construction are also reflected in strongly declining labour productivity growth in the sector since 2008 <sup>(28)</sup>.

**Austria is among the EU Member States with the highest degree of restrictiveness in terms of trade in**

---

<sup>(27)</sup> European Investment Bank, 2025: [EIB Investment Survey 2024](#).

<sup>(28)</sup> Eurostat, 2025: [Labour productivity and unit labour costs by industry \(nama\\_10\\_lp\\_a21\)](#).

**services.** This limits the movement of professionals from abroad to Austria. Labour market tests are widely applied, even for intra-corporate transferees, and foreign engineering professionals are required to pass local examinations to obtain a licence to practice <sup>(29)</sup>. In addition, in Austria's retail sector, market entry is already difficult due to high investment costs as well as oversaturation and is further hindered by stringent establishment rules <sup>(30)</sup>. The resulting lack of competition contributes to high prices for consumers. Austria's food prices, for instance, are the fifth highest in the EU <sup>(31)</sup>.

**Some key single market indicators also leave considerable room for improvement.** The proportion of EU directives not transposed into Austrian law in a timely manner and the proportion of all directives transposed incorrectly are above the EU averages. Austria's number of infringement cases is also higher than the EU average (although they take a bit less time) (Annex 4).

**Permitting procedures for industrial projects involving an environmental impact assessment usually require 22-23 months from the date of application <sup>(32)</sup>.** Limited digitalisation, with communication often relying on traditional methods and physical document submission, play a part

in protracting procedures <sup>(33)</sup>. The authorities in charge of these permits vary from local to Länder level, with some not having sufficient capacity to efficiently manage the volume of procedures. Permitting could be accelerated, including by creating more options for early commencement of preparatory construction works, simplified hearings of project opponents or allowing non-essential documents to be submitted at a later stage.

**The use of regulatory impact assessments (RIAs) for primary laws and subordinate regulations is above the EU average.** However, there are no recent cases in which existing regulations have been consolidated (Annex 6). A more systematic use of mechanisms and tools to review, recast and, where possible, repeal ineffective regulations could help make it less costly for firms to comply with the regulations. This would make Austria's regulatory framework more business friendly.

**Austria is taking action to tackle the regulatory burden.** The new government has proposed that the industrial code be modernised and business registration be simplified and digitalised. Furthermore, the number of small businesses benefiting from a simplified tax scheme, the 'Basispauschalierung', is set to increase. Finally, the new government has appointed a State Secretary for De-bureaucratisation and Innovation. The bureaucratic burden emanating from the application of EU regulations can differ depending on the Member State. A study comparing the cost to business from the same EU regulations in different Member States has shown that

---

<sup>(29)</sup> OECD 2025: *Services Trade Restrictiveness Index: Austria* (10 Feb 2025).

<sup>(30)</sup> European Commission, 2022, *Retail restrictiveness indicator (2022 update)*.

<sup>(31)</sup> Eurostat, 2024: [Comparative price levels for food, beverages and tobacco - Statistics Explained](#).

<sup>(32)</sup> Including operating permits, building permits in line with spatial planning requirements, permits based on emissions of pollutants and noise and water use permits.

---

<sup>(33)</sup> European Commission, 2025: [Net-zero manufacturing industry landscape across the Member States \(Jan. 2025\)](#).

Austria generally performs better in terms of business-friendly administration than Germany or France <sup>(34)</sup>.

---

<sup>(34)</sup> Prognos, 2023: [\*Bureaucracy costs in a European comparison\*](#) | Prognos.

# DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

## Improving energy affordability and reinforcing the electricity grid

**High energy prices affect Austria's competitiveness.** Austria has suffered from significant energy price increases lately, with the electricity price for large consumers being the seventh highest in the EU in 2023 (see Annex 7). Austria relies for 65% of its energy needs on imports, particularly oil and gas. Unit energy costs rose sharply for all industries in 2021-2022. This had a particular impact on energy-intensive sectors, which accounted for 5.2% of the gross value added in the national economy in 2022. At the same time, energy intensity<sup>(35)</sup> is decreasing only slowly. The rise in costs has affected price competitiveness. This has been especially the case in the automotive sector, in the non-metallic minerals sector and in other manufacturing sectors, including the rubber and plastic industry. High energy use is concentrated in a few hundred companies, but they play an important role in the overall economy<sup>(36)</sup>. A number of support measures, such as the energy cost subsidy (*Energiekostenzuschuß*), were in place to compensate companies for the strong energy price increases. The new Austrian

government has decided to set up an expert group to present proposals for sustainably reducing energy prices, including for energy-intensive industry.

**The expansion of the power grid poses cost challenges for both grid operators and users.** 2024 was another record year for Austria in terms of renewable energy generation, with 87 % of electricity generated from renewables (see Annex 8) and continued strong growth of photovoltaics. Furthermore, Austria has set more ambitious targets for expanding renewables in its final updated national energy and climate plan (NECP) of December 2024<sup>(37)</sup>. This requires both more investments and faster permitting for the upgrading and expansion of grids. Enhancing trading over existing cross-border infrastructures remains a challenge. It would therefore be beneficial to work with neighbouring countries to maximise cross-zonal electricity trading over existing cross-border infrastructures. In total, an estimated EUR 53 billion of investments may be required in Austria by 2040<sup>(38)</sup>. The cost of network expansion is borne by the network users. Network charges make up to 24% of the electricity price for households and 14% for industry. Network charges rose by an average of 19% in January 2025 to finance ongoing

<sup>(35)</sup> Energy intensity is the ratio between energy consumption and economic or physical output. [IATE European Union terminology](#).

<sup>(36)</sup> Reinstaller A., Sellner R, (OeNB) (2023), *Industrial energy prices and the competitiveness of the Austrian business sector*, Report 03/2024, Büro des Produktivitätsrates, [Report 03/2024](#).

<sup>(37)</sup> 2024 Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie: [Integrierter Nationaler Energie- und Klimaplan für Österreich](#).

<sup>(38)</sup> Frontier Economics: [Infrastrukturfonds als Baustein für den Stromnetzausbau](#), 2024.



investments, among other things<sup>(39)</sup>. To prevent grid investments from driving prices even higher, rapid progress on regulatory measures, such as reform of the grid fee structure, would be beneficial. Alternative financing options are also worth exploring (see Annex 8).

**Following first positive steps with the reform of the environmental impact assessment, progress in further accelerating permitting and eliminating bottlenecks has stalled.** The transposition of revised EU permitting rules into Austrian law has been delayed. In addition to understaffing, administrative and process bottlenecks persist, such as regulatory hurdles blocking experts from working in a federal province other than the one in which they are accredited.

**Diversification of gas supplies has been achieved but expanding interconnection capacity with neighbouring countries remains a matter of urgency to guarantee energy security.** Russian gas imports fell strongly in November 2024, when Gazprom terminated its supplies to OMV. Since the beginning of January 2025, they have ended completely because the transit of gas through Ukraine has been stopped. Austria secured gas imports from Norway, Germany and Italy, ensuring a smooth transition. In view of the need to diversify gas supplies and guarantee security of supply, in 2024 the government announced targeted investments to cover the increased capacity needs of gas infrastructure for imports of gas from neighbouring countries, such as Germany. Specifically, this concerns the expansion of the West-Austria-Gas pipeline (WAG Loop 1). The completion date envisaged for this infrastructure project is 2027. Fast and

steady progress in its implementation would therefore be of benefit.

### Speeding up decarbonisation of industry by swiftly implementing additional measures and expanding net-zero industries

**Austria needs to maintain its decarbonisation efforts, given its national commitment to reach climate neutrality by 2040.** In 2023, greenhouse gas emissions fell by 6.5% and a smaller but still significant reduction of 3.7% is expected to have occurred in 2024. While part of this decrease can be attributed to the ongoing recession, climate mitigation policies and in particular the expansion of renewables are the main drivers of Austria's decarbonisation<sup>(40)</sup>. However, financial constraints have recently prompted a reassessment of climate support measures. Several green subsidies, including tax exemptions for the purchase of small photovoltaic systems and the insurance of electric cars, were abolished at the beginning of 2025<sup>(41)</sup>. Austria would benefit from accelerating the phase-out of fossil-fuel subsidies. As part of its 2024 NECP, Austria set itself the objective of achieving a greenhouse gas reduction of at least 2 million tonnes of CO<sub>2</sub>-equivalent per year by 2030, by gradually eliminating counterproductive incentives and subsidies. By focusing on the phasing out of environmentally harmful tax exemptions,

<sup>(39)</sup> E-Control, 2025: Error! Hyperlink reference not valid..

<sup>(40)</sup> 20 January 2025, *Rückgang der Treibhausgas-Emissionen 2023 um 6,5%*. Umweltbundesamt. [News | Treibhausgas-Bilanz 2023 | Umweltbundesamt](#).

<sup>(41)</sup> 6 March 2025, Parlament Österreich, Parlamentskorrespondenz Nr. 110. [Budgetausschuss gibt grünes Licht für Maßnahmen zur Budgetsanierung \(PKo110/06.03.2025\) | Parlament Österreich](#)



Austria can both promote decarbonisation and create more fiscal space. (see Annex 8).

**The decarbonisation of industry is progressing only slowly.** Manufacturing is characterised by high energy intensity and produced 35% of Austria's total greenhouse gas emissions in 2022. While the sector has improved its energy efficiency, emission reductions continue to lag significantly behind those of other Member States. Between 2017 and 2022, the greenhouse gas emissions intensity of energy-related emissions declined by 9% in Austria, compared to the EU average of 16%. Moreover, Austria's large automotive supplier industry is struggling to stay competitive amid the ongoing shift to electric vehicles. Weak demand and difficulties in the German export market negatively impact this sector and hamper Austria's transition to sustainable transport (see Annex 7).

**Additional measures need to be fully implemented so that Austria reaches its emission reduction targets in the transport, buildings and agriculture sectors.** In 2023, emissions from buildings decreased by 17.8% whereas transport emissions only saw a reduction of 4.3% compared to the previous year<sup>(42)</sup>. This means that Austria performs slightly above the EU-average but could still step up its decarbonisation efforts. The 2024 NECP proposes additional measures that will allow Austria to reach its effort-sharing targets. It would be of considerable benefit if Austria implemented these additional measures swiftly and fully while refraining from introducing new harmful fossil fuel subsidies<sup>(43)</sup>.

---

<sup>(42)</sup> European Commission, January 2025, [Climate Action Progress Report 2024. Country Profile Austria...](#), p. 6.

<sup>(43)</sup> The coalition programme for 2025-2029 announced a tax exemption for N1-vehicles (light commercial

**Austria's net-zero industry is competitive but would benefit from further streamlining and digitalising of permitting procedures and from a dedicated strategy for expansion and export.** 2-4% of EU's capacity for solar components is manufactured in Austria and the recent introduction of a 'Made-in-Europe' bonus is expected to boost domestic demand. The production of wind turbine components amounts to 3% of total EU production, while batteries and storage technologies only make up a negligible amount. Both industries have potential for further growth (see Annex 7).

**Compared to other Member States, Austria has a high share of green jobs<sup>(44)</sup>, but the availability of skilled labour still constitutes a bottleneck for its net-zero industry<sup>(45)</sup>.** To remedy this, Austria is investing EUR 10 million between April 2022 and December 2025 to upskill 1 000 people with qualifications needed in the environmental sector as part of its Just Transition Action Plan<sup>(46)</sup>. However, there is no dedicated strategy to address potential job losses in carbon-intensive industries<sup>(47)</sup>. Given the unequal distribution of the costs and benefits of the green transition, measures aimed at supporting vulnerable professions, sectors and regions can also

---

trucks). This new fossil fuel subsidy risks being counterproductive for Austria's emission reduction and budget consolidation objectives.

<sup>(44)</sup> European Commission, July 2024, [Assessing Green Job Dynamics in the EU: A Comparison of Alternative Measures](#), p. 16, EGSS-based methodology.

<sup>(45)</sup> European Commission: Directorate-General for Energy and ECORYS, 2025, *The net-zero manufacturing industry landscape across Member States. Annex 2, Country fiches*, p.10.

<sup>(46)</sup> Ibid. p. 9

<sup>(47)</sup> Austria's just transition plan identified 71 000 people working in carbon-intensive industries in Carinthia, Lower Austria, Upper Austria and Styria. FEPS, 2023, [The Road to a Just Transition](#), p. 9.

improve the perception and popular acceptance of large-scale transformations.

**Austria is among the EU's top investors in eco-innovation<sup>(48)</sup> and actively participates in important projects of common European interest (IPCEIs) on microelectronics, batteries and hydrogen.** The hydrogen strategy, which forms part of the Austrian recovery and resilience plan (RRP), aims to establish 1 GW of electrolysis capacity by 2030<sup>(49)</sup> and foster international partnerships to develop hydrogen infrastructure. With electrolyser capacity at 18.2 MW as of February 2025<sup>(50)</sup>, the gap to the 1 GW goal is substantial. High electricity prices and the increasing cost of electrolysers have been a drag on expanding capacity. Austria participated in the Hy2Tech IPCEI, focusing on innovative project support along the value chain, and in the Hy2Use IPCEI, which focuses on industrial decarbonisation. The two IPCEIs are included in Austria's RRP, receiving funding of EUR 125 million. In addition, Austria participated in the European Hydrogen Bank's second auction-as-a-service scheme, committing EUR 200 million from its national budget, with a maximum capacity of 300 MW of production to be supported in the auction. In principle, Austria's renewable energy potential, particularly in hydropower and wind, could benefit green hydrogen production. At the same time, Austria lacks ideal large-scale renewable energy resources necessary for cheap electrolysis. Thus, Austria aims to

complement domestic production with cost-efficient imports, preferably via the SouthH2Corridor.

### Reducing waste production and adapting to increasingly common extreme weather events

**Austria produces the highest amount of waste per capita in the EU, and sustaining progress in circular use of material, resource productivity and waste management will be important.**

The efficient use of resources is key to ensuring competitiveness and open strategic autonomy, while minimising the environmental impact. In 2022, Austria adopted its circular economy strategy, setting the target of reducing its material footprint (raw material consumption) to seven tonnes per capita per year by 2050. Key measures include the introduction of a deposit return system for single-use plastic bottles and a repair bonus scheme, which aims to prolong the use of electrical and electronic equipment (both measures are supported by the Recovery and Resilience Facility). Despite improvements to its waste management and recycling systems, Austria produced 803 kg of waste per capita in 2022 compared to the EU average of 513 kg per capita. This is primarily driven by the largest waste categories, namely soils and mineral waste from construction and demolition. Investments in circularity have been insufficient and lack an estimated EUR 750 million per year to unlock Austria's circular economy potential (see Annex 7).

**Austria is facing increasing climate and environmental challenges that have implications for its economic competitiveness and the population's well-being.** With a near 2°C increase in average annual surface temperature since

<sup>(48)</sup> European Environment Agency, 2024, [Eco-innovation index in Europe](#).

<sup>(49)</sup> According to the hydrogen strategy and assuming an operation of around 5 000 full-load hours per year, a 1 GW electrolysis capacity can largely cover the current industrial demand for hydrogen in Austria.

<sup>(50)</sup> Hydrogen Partnership Austria, February 2025, [Elektrolyseure in Österreich](#).

1880, the country faces heightened climate risks impacting biodiversity. Economic losses amounted to EUR 14.7 billion between 1980 and 2023, with only 19% of these losses being insured <sup>(51)</sup>. The heavy rainfall and flooding in September 2024 caused an estimated damage of at least EUR 1.3 billion and affected around 700 companies. Budgetary risks are expected to increase, driven by higher costs for repairing and maintaining public infrastructure, as well as rising healthcare expenditure <sup>(52)</sup>. Climate-related extreme weather events are aggravated by land take and soil sealing<sup>(53)</sup>, which continue to occur at a very high rate in Austria. Total land use was 17.3% of the permanent settlement area, 52% of which is sealed <sup>(54)</sup>. Further restoration measures and changes in land use practices will benefit healthy ecosystems and provide for a significant economic value, with many sectors highly dependent on ecosystem services <sup>(55)</sup>. This is especially the case for Austria, where the overall dependency of its economy on ecosystem services is above the EU average, with 46% of gross value added having a high direct dependency on ecosystem services. With the release of its third climate adaptation strategy and the adoption of a dedicated soil strategy,

Austria is addressing these challenges. For their benefits to be accrued, and to reduce ecosystem fragmentation, and strengthen climate resilience, the measures in the strategy require timely and full implementation, including mobilisation of the necessary investments. (see Annex 9).

---

<sup>(51)</sup> European Environment Agency, 2024, [Economic losses from weather- and climate-related extremes in Europe](#).

<sup>(52)</sup> WIFO, 2024, [Budgetäre Kosten und Risiken durch klimapolitisches Nicht-Handeln und Klimarisiken](#).

<sup>(53)</sup> Land take refers to the loss of natural and semi-natural land to artificial land development. Soil sealing is defined as the permanent covering of the soil surface with impermeable artificial materials leading to the non-reversible loss of soil. See [IATE European Union terminology](#).

<sup>(54)</sup> Österreichische Raumordnungskonferenz (ÖROK) 2023: [Flächeninanspruchnahme und Versiegelung in Österreich](#).

<sup>(55)</sup> An ecosystem service is a service provided by the natural environment that benefits people or society. See [IATE European Union terminology](#).

# SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

## Declining working hours, skills shortages and mismatches

**Widespread labour and skills shortages in key sectors, including in ICT, are a challenge.** After reaching a record high of 5.3% in 2022, the job vacancy rate in industry, construction and services fell to 4.0% in 2024, which is still among the highest in the EU (average 2.4%). Some 6 out of 10 companies reported being affected by labour shortages<sup>(56)</sup>. This is driven by demographic change and the restructuring of industries resulting in an increasing demand for new skills for the green and digital transitions. Vacancy rates were relatively higher in construction and services and particularly high in the metal industry as well as the IT and care sectors. This was in part driven by challenging working conditions in some of these sectors. Even though the share of ICT specialists in total employment (5.3% in 2023), exceeded the EU average, acute skills shortages in the IT sector hamper Austria's innovative capacity, particularly in the rapidly evolving field of AI (see Annex 12). The expansion of digital and AI solutions, along with improved access to growth financing could help bridge the gap between high labour demand and the scarcity of skilled workers.

**The number of hours worked is decreasing due to a rise in part-time**

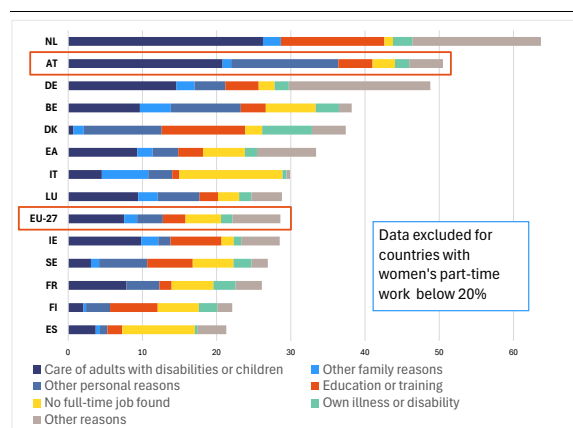
**work and reduced hours by full-time workers.** The average number of actual weekly hours worked has declined over the last decade by 2.2 hours to 33.6 hours. This decline can be attributed to two main factors. First, there has been a decrease in the number of hours worked by full-time employees<sup>(57)</sup>. This has been influenced by labour hoarding<sup>(58)</sup> and changes in working preferences in the workforce post COVID-19, such as reduced overtime work. Meanwhile, part-time workers' hours have remained stable. Second, over the same period, the share of part-time work increased by 2 pps, with a significant rise among the highly educated (see Annex 10). This trend is partly due to high labour taxation, which discourages the shift from part-time to full-time work, contributing to a scarcity of skilled labour.

<sup>(56)</sup> WKO (2024) [Unternehmensbefragung zum Arbeits- und Fachkräftebedarfs-mangel – Arbeitskräfte radar](#).

<sup>(57)</sup> minus 5.14% 2019-2023, (EU avg. -2.5%), see Eurostat; ifsa\_epgaed.

<sup>(58)</sup> Labour hoarding refers to the practice of keeping more workers than currently needed.

Graph 4.1: **Women's part-time employment in percentage of full-time and reasons for part-time work**



(1) 15-64 year-olds, 2024

Source: Eurostat, lfsa\_eppga and lfsa\_epgar

**Boosting full-time employment among women, often hindered by family and care responsibilities, is a priority.** Though the activity and employment rates<sup>(59)</sup> of women are high and increasing in absolute terms (74.2% and 73.9% respectively in 2024), fewer women than men participate in the labour market and more than half of women in employment are working part-time (at 61.4%, the second highest rate in the EU). Calculated in full-time equivalents, the gender employment gap was 19 pps in 2023. These disparities result in an above-average gender pay and pension gap. Underlying factors include the fact that women spend more hours than men providing unpaid care<sup>(60)</sup>, in 2024 more than 40% of women cited care of adults with disabilities or children as a reason for working part-time<sup>(61)</sup>. In addition, the availability of high-quality early childhood education and care (ECEC) is insufficient

<sup>(59)</sup> Activity Rate: Percentage of working-age population employed or seeking work. Employment Rate: Percentage of working-age population currently employed.

<sup>(60)</sup> Statistik Austria (2023), *Zeitverwendung 2021/22*.

<sup>(61)</sup> Eurostat, Labour force survey, [https://doi.org/10.2908/LFSA\\_EPGAR](https://doi.org/10.2908/LFSA_EPGAR)

and available places for ECEC are often incompatible with full-time work.

**Only around 1 in 4 children under three participated in early childhood education and care in 2023.** As a result, Austria is well below its national Barcelona target of 31.9% as well as the EU average. In addition, the available places for early childhood education and care (ECEC) are often not compatible with full-time work, with strong regional disparities in availability. As demonstrated by a recent study, increasing the supply of childcare places could increase the labour market participation of mothers, in particular those in the bottom half of the income distribution, by 17 pps and increase their hours worked by 4.2 hours per week<sup>(62)</sup> (see Annex 10). Austria's recovery and resilience plan (RRP) also contains investments to improve access to ECEC. The government continues to implement measures to improve the availability and quality of ECEC, such as the Fund for the Future (*Zukunftsfonds*)<sup>(63)</sup>, as well as to improve the attractiveness of the teaching profession.

**Boosting the labour market participation of older workers could help meet growing labour demand.** Even though the employment rate of older workers (55-64) increased from 54.5% in 2019 to 58.8% in 2024, it remains well below the EU average of 65.2%. The employability of older people is partly impeded by low levels of digital skills, other factors, like age discrimination and negative employer attitudes towards older workers, remain a significant obstacle

<sup>(62)</sup> Narazani, E., Christl, M., & Figari, F. (2024). *More childcare for the poor? Budgetary impacts and female labour supply responses in Italy, Austria and Hungary*.

<sup>(63)</sup> A new financing instrument in the multiannual fiscal framework 2024-2028; inspired by the RRF. EUR 1.1 mil per year for childcare, housing, and climate protection.

to their employment <sup>(64)</sup>. Targeted measures, such as the 'employment initiative 50+' (*Beschäftigungsinitiative 50+*) are aimed at improving outcomes for older workers. Reducing disincentives among older workers to work for longer by adapting the tax system and reducing social contributions could support the trend towards higher labour market participation of this demographic group.

**Better labour market integration of low-qualified and migrant workers could further ease the shortage of workers.**

Although the employment rate of the low qualified is broadly on a par with the EU average, it is almost 20 pps below the overall employment rate in Austria. Low levels of basic skills are a key obstacle to employment (see Annex 12). Those born outside the EU, while showing higher employment rates (65.7%) than older workers and the low-qualified, are in part held back by inadequate language skills and limited recognition of qualifications. Strengthening incentives to take up work and improve language skills may help enhance employment outcomes for this group and contribute to reaching the 2030 national employment target of 79.9% (see Annex 10).

**The lack of adequate skills is a structural challenge**

**Enhancing skills development is crucial, yet adult participation in training is stagnant.** Participation in training among adults has been declining since 2016 and remains well below the 2030 national target of 62.0% (see Annex 12). Participation has been low, in particular among those facing

skills challenges: only around 1 in 5 low-qualified adults and 2 in 5 older workers have been participating in training, exacerbating their vulnerability to unemployment amid the digital and green transitions. The Austrian RRP contains an investment to upskill and reskill people to improve their access to the labour market. However, public spending on adult education has decreased compared to previous years. The abolition of paid educational leave (*Bildungskarenz*)<sup>(65)</sup>, which was announced in January 2025 as part of the fiscal consolidation package, could reduce the options for further qualification. Finally, if companies invested more in adult learning and training, this could significantly help to improve the skills of the workforce.

**The lack of basic skills poses a long-term challenge to addressing skills shortages.**

According to 2022 OECD Programme for International Student Assessment (PISA), about a quarter of pupils in Austria lack a minimum level of proficiency in reading, mathematics and science. Pupil underperformance increases to almost every second 15 year-old with a disadvantaged socioeconomic background or born abroad (Annex 12). There is a high and increasing proportion of pupils with a migrant and disadvantaged background and this poses challenges (such as language barriers) for teaching. Moreover, schools continue to report a lack of resources <sup>(66)</sup>. At the same time, the number of pupils is continuing to increase. About a fifth of primary school teachers and about a quarter of middle school teachers are over the age of 55 and will

<sup>(64)</sup> 2023, Eurobarometer.

<sup>(65)</sup> The Austrian government programme indicates the intention to set up a more targeted model of the abolished *Bildungskarenz* from 2026.

<sup>(66)</sup> European Commission (2024), *Education and training monitor 2024*



retire in the coming decade. This threatens to compound the lack of teachers. Moreover, the lack of basic skills extends to adults, particularly among those with a migrant or disadvantaged socioeconomic background. These gaps in basic skills also stem from the worsening basic skills among school pupils. The RRP provides for adopting a legal act establishing criteria for the specification of the socio-economic baseline of schools. The criteria would guide the allocation of human resources to schools and prioritise the allocation to those schools whose socio-economic profile is more demanding. Moreover, further strengthening the development of basic and STEM skills at every stage from children's education to adult learning is key to addressing skills shortages.

**Women, single parents and notably children are particularly at risk of poverty or social exclusion (AROPE).**

Whereas the AROPE rate in Austria (17.7% in 2023) remained well below the EU average, it has been rising continuously since 2019. As a result, Austria has moved further away from reaching its 2030 national target of reducing poverty. In particular, the AROPE rate for women increased to 18.5% in 2023, while it decreased to 16.5% for men. Single parents in particular, of whom 83% are women, are hindered from participating in the labour market by the lack of affordable high-quality ECEC. This contributed to a significant AROPE rate of 45.3% in this group in 2023. More than 1 in 5 children, with even higher rates among those from a migrant or disadvantaged socioeconomic background, were at risk of poverty or social exclusion. Besides implementing the European Child Guarantee <sup>(67)</sup> and other

related measures, providing free full-time childcare could alleviate poverty risks among children.

**People with a migrant background are more at risk of poverty.**

Among other reasons, limited opportunities in the labour market, driven by institutional, language and skills barriers as well as a lack of recognition of qualifications, contribute to elevated poverty risk among those with a migrant background. In 2023, people born outside Austria experienced a significantly higher AROPE rate (34.2%) compared to those born within Austria (11.4%). Among those who were born outside the EU, the risk was even higher, affecting approximately 50%. Even after naturalisation, those with a migrant background are more likely to experience severe material and social deprivation (14% of people with a migrant background vs 3% of people without a migrant background).

**Austria's healthcare and long-term care systems are performing relatively well, albeit at high costs.**

Life expectancy in 2023 was above the EU average, but it remained below pre-COVID-19 levels. Despite significant investments in prevention (7.4% of total health expenditure in 2022<sup>(68)</sup>), additional years of life gained are often not spent in good health, as healthy life expectancy at birth for women (61.3) and men (60.6) is below the EU average (62.8 for women and 62.4 for men). The fact that Austria's healthcare system is very hospital-centred poses a risk not only to its fiscal sustainability, but also to its accessibility. Regional and specialty-specific doctor shortages hinder outpatient care, and staff shortages affect service

<sup>(67)</sup> The European Child Guarantee is an instrument which seeks to ensure that every child living in the EU at risk of poverty has access to free quality health

care, free quality education, free quality childcare, decent housing and adequate nutrition

<sup>(68)</sup> Including expenditure related to the COVID-19 pandemic.

availability in both the healthcare and long-term care sectors. Furthermore, adoption of e-health and digital solutions has been slow. Regulatory measures could help to reduce the use and number of hospitals, for example by providing better guidance to patients.

**House prices stabilised in 2024, but housing affordability continues to deteriorate.** Over the past decade, house prices have increased by 60%, reaching their peak in 2022. The pace of this increase has exceeded the growth of household incomes. As a result, the standardised house price-to-income ratio has increased by 22% since 2015 <sup>(69)</sup>. Similarly, the ratio of new rents to incomes has increased over the last decade especially in city centres. This means that even though the housing overburden rate remains low in Austria, the average household is spending an ever-higher share of their income on housing.

---

<sup>(69)</sup> European Commission 2024, *Alert Mechanism Report 2025*.



## KEY FINDINGS

To boost competitiveness, sustainability and social fairness, Austria would benefit from:

- **implementing the RRP**, including the REPowerEU chapter; swiftly implementing **cohesion policy**, taking advantage of the opportunities under the mid-term review and making optimal use of EU instruments, including **InvestEU** and **STEP**, to improve competitiveness;
- **consolidating public finances** by decisively containing the increase in age-related public expenditure on pensions, health, and long-term care, including by significantly raising the effective retirement age and simplifying the fiscal framework across government levels to enhance spending efficiency;
- **further improving the tax mix** to be more conducive to growth by shifting the tax burden away from labour and ending environmentally harmful tax exemptions;
- **recalibrating the innovation system** by focusing on high-impact innovation and by improving the spending efficiency of R&D schemes to achieve outcomes comparable to those of European innovation leaders;
- **enhancing the business environment, competition and productivity** by simplifying administrative and permitting procedures and removing restrictions in professional services, including barriers for providers from other EU countries;
- **improving investment conditions for firms**; by promoting better access to risk capital; to support the creation and growth of new companies, as well as by removing barriers for institutional investors to support young innovative firms;
- **boosting digital transformation** by encouraging the adoption of advanced digital technologies, including by continued investment in skills and infrastructure;
- **addressing high energy costs** and accelerating the energy transition by adopting the necessary regulatory reforms (electricity market and permitting) and ensuring investments, in particular in grids to make the energy system more flexible;
- **achieving the effort-sharing targets** by swiftly and fully implementing additional measures, in particular by accelerating the decarbonisation of the transport sector;
- **expanding net-zero industries**, by encouraging investment and by further streamlining and digitalising permitting procedures and by ensuring skilled labour supply for the green transition;
- **reducing waste production and improving resource efficiency** by stepping up investments in the circular economy;
- **addressing labour shortages** by encouraging people to work more hours including by improving tax incentives,

and by further enhancing the quality and availability of early childhood education and care to better facilitate employment of individuals with care responsibilities, notably women;

- **tackling skills shortages**, including by enhancing labour market access and the skills development of older workers, the low-skilled and those with a migrant background, by increasing adult participation in training and improving the basic skills of disadvantaged pupils;
- **ensuring access to healthcare** by strengthening outpatient care, in particular in areas with insufficient staff and long waiting times.



# ANNEXES



## LIST OF ANNEXES

Fiscal	32
A1. Fiscal surveillance and debt sustainability	32
A2. Taxation	39
Productivity	42
A3. Innovation to business	42
A4. Making business easier	47
A5. Capital markets, financial stability and access to finance	55
A6. Effective institutional framework	53
Sustainability	70
A7. Clean industry and climate mitigation	70
A8. Affordable energy transition	78
A9. Climate adaptation, preparedness and environment	85
Fairness	93
A10. Labour market	93
A11. Social policies	98
A12. Education and skills	103
A13. Social Scoreboard	108
A14. Health and health systems	109
Horizontal	112
A15. Sustainable development goals	112
A16. CSR progress and EU funds implementation	114
A17. Competitive regions	121

## LIST OF TABLES

A1.1. General government balance and debt	33
A1.2. Net expenditure	33
A1.3. Net expenditure (outturn and forecast), deviations vis-à-vis the medium-term plan	34
A1.4. Defence expenditure	34
A1.5. Macroeconomic developments and forecasts	34
A1.6. General government budgetary position	35
A1.7. Debt developments	35
A1.8. RRF – Grants	36

A1.9.	Projected change in age-related expenditure in 2024-2040 and 2024-2070	37
A1.10.	Fiscal Governance Database Indicators	38
A2.1.	Taxation indicators	40
A3.1.	Key innovation indicators	46
A4.1.	Making Business Easier: indicators.	53
A5.1.	Financial indicators	63
A6.1.	Austria. Selected indicators on administrative burden reduction and simplification	65
A6.2.	Key Digital Decade targets monitored through the Digital Economy and Society Index	66
A7.1.	Key clean industry and climate mitigation indicators: Austria	77
A8.1.	Key Energy Indicators	84
A9.1.	Key indicators tracking progress on climate adaptation, resilience and environment	91
A13.1.	Social Scoreboard for Austria	108
A14.1.	Key health indicators	110
A16.1.	Selected EU funds with adopted allocations - summary data (million EUR)	117
A16.2.	Summary table on 2019-2024 CSRs	118
A17.1.	Selection of indicators at regional level in Austria	122

## LIST OF GRAPHS

A2.1.	Tax revenue shares in 2023	39
A2.2.	Tax wedge for single and second earners, % of total labour costs, 2024	40
A3.1.	Patent applications filed under the PCT per billion GDP (in PPS €) in relation to R&D intensity (gross domestic expenditure on R&D as a percentage of GDP)	43
A3.2.	Venture capital (market statistics) as a percentage of GDP, 2023 total	45
A4.1.	Making Business Easier: selected indicators.*	48
A5.1.	Net savings-investment balance	55
A5.2.	International investment position	56
A5.3.	Capital markets and financial intermediaries	56
A5.4.	Composition of NFC funding as a % of GDP	58
A5.5.	Composition of HH financial assets per capita and as a % of GDP	60
A6.1.	Trust in justice, regional / local authorities and in government	64
A6.2.	Indicators of Regulatory Policy and Governance (iREG)	65
A7.1.	GHG emission intensity of manu-facturing and energy-intensive sectors, 2022	73
A7.2.	Manufacturing industry production: total and selected sectors, index (2021 = 100), 2017-2023	74
A7.3.	Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023	74
A8.1.	Retail energy price components for household and non-household consumers, 2024	78
A8.2.	Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)	79
A8.3.	Austria's installed renewable capacity (left) and electricity generation mix (right)	81
A9.1.	Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022	88
A9.2.	Investment needs and gaps in EUR million, in 2022 constant prices	89
A10.1.	Employment growth by sector	93
A10.2.	Austria's Beveridge curve	95
A10.3.	Activity and employment rates	96
A11.1.	AROPE rates	98
A11.2.	AROPE rates by group	99
A12.1.	Underachievement rates by field, PISA 2012, 2018 and 2022 (%)	103
A12.2.	Future employment needs (2022-2035) by occupation and education level	106
A14.1.	Life expectancy at birth, years	109
A14.2.	Treatable mortality	110
A15.1.	Progress towards the SDGs in Austria	113
A16.1.	Distribution of RRF funding in Austria by policy field	115
A16.2.	Distribution of cohesion policy funding across policy objectives in Austria	115
A17.1.	Average annual GDP per head growth vs GDP per head in 2013	121
A17.2.	Labour productivity per hour	122
A17.3.	Access to healthcare and primary education in rural areas, 2023	125

## LIST OF MAPS

A17.1. GDP per head (in purchasing power standard PPS), 2023	121
A17.2. Regional Competitiveness Index 2.0, 2022 edition	123
A17.3. House prices relative to income, 2019	124



This Annex contains a series of tables relevant for the assessment of the fiscal situation in Austria, including how Austria is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024<sup>(70)</sup>, aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

Austria submitted its plan on 13 May 2025. The plan covers the period until 2029, and presents an extended fiscal adjustment over seven years, which is underpinned by a set of reforms and investments to which Austria committed with the aim of improving potential growth and fiscal sustainability. The assessment of the plan by the Commission is ongoing at the cut-off date of this Report.

In the context of the Commission Communication of 19 March 2025<sup>(71)</sup>, on accommodating defence expenditure within the Stability and Growth Pact, the Annex reports the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in Table A1.1. Then, an assessment of the **fiscal situation** of Austria follows, including developments of net expenditure growth and data on defence expenditure, based on relevant figures presented in Tables A1.2 to A1.8. The fiscal situation of Austria is described on the basis of outturn data from Eurostat, the Commission Spring 2025 Forecast, and the Annual Progress Report (APR), submitted by Austria on 13 May 2025.

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024.<sup>(72)</sup>

## Developments in government deficit and debt

Austria's government deficit amounted to 4.7% of GDP in 2024. Based on the Commission Spring 2025 Forecast, it is projected to decrease to 4.4% of GDP in 2025. The government debt-to-GDP ratio amounted to 81.8% at the end of 2024 and, according to the Commission, it is projected to increase to 84.0% end-2025.

<sup>(70)</sup> Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

<sup>(71)</sup> Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

<sup>(72)</sup> Commission (2025) 'Debt Sustainability Monitor 2024,' *European Economy-Institutional Papers* 306.

Table A1.1: **General government balance and debt**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	% GDP	-4.7	-4.5	-4.4	na.	-4.2
2	General government gross debt	% GDP	81.8	84.7	84.0	na.	85.8

**Source:** Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

## Developments in net expenditure

The net expenditure<sup>(73)</sup> growth of Austria in 2025 is forecast by the Commission<sup>(74)</sup> to be below the maximum growth rate contained in the plan.

Table A1.2: **Net expenditure**

	Annual			Cumulative*		
	MTP	APR	COM	MTP	APR	COM
	Growth rates					
2024	na.	8.6%	8.7%	na.	na.	na.
2025	2.6%	1.6%	2.0%	2.6%	1.6%	2.0%
2026	2.2%	na.	2.3%	4.8%	na.	4.3%

(1) The cumulative growth rates are calculated by reference to the base year of 2024.

**Source:** Medium-term fiscal structural plan of Austria, Annual Progress Report (APR), and Commission's calculation based on Commission Spring 2025 Forecast (COM).

**Source:**

General government defence expenditure in Austria remained stable at 0.6% of GDP between 2021 and 2023<sup>(75)</sup>. According to the Commission 2025 Spring Forecast, expenditure on defence is projected at 0.7% of GDP in 2024 and 0.8% of GDP in 2025.

<sup>(73)</sup> Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

<sup>(74)</sup> Commission Spring 2025 Forecast, *European Economy-Institutional paper 318*, May 2025.

<sup>(75)</sup> Eurostat, government expenditure by classification of functions of government (COFOG).

Table A1.3: **Net expenditure (outturn and forecast), deviations vis-à-vis the medium-term plan**

	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn NAC	249.5	271.3	280.3	288.9
2	Interest expenditure	bn NAC	5.7	7.3	8.6	9.2
3	Cyclical unemployment expenditure	bn NAC	0.0	0.2	0.4	0.4
4	Expenditure funded by transfers from the EU	bn NAC	1.4	0.9	0.9	0.9
5	National co-financing of EU programmes	bn NAC	0.9	0.9	0.7	0.8
6	One-off expenditure (levels, exd. EU funded)	bn NAC	0.0	0.0	0.0	0.0
7=1-2-3-4-5-6	<b>Net nationally financed primary expenditure (before discretionary revenue measures, DRM)</b>	<b>bn NAC</b>	<b>241.5</b>	<b>261.9</b>	<b>269.8</b>	<b>277.7</b>
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		20.4	7.8	7.9
9	DRM (exd. one-off revenue, incremental impact)	bn NAC		-0.7	2.5	1.8
10=8-9	<b>Change in net nationally financed primary expenditure (after DRM)</b>	<b>bn NAC</b>		<b>21.1</b>	<b>5.3</b>	<b>6.1</b>
11	Outturn / forecast net expenditure growth	% change		8.74%	2.0%	2.3%
12	Net expenditure growth as reported in the medium-term plan *	% change		n.a.	2.6%	2.2%
13=(11-12) x 7	Annual deviation	bn NAC		n.a.	-1.5	0.2
14 (cumulated from 13)	Cumulated deviation	bn NAC		n.a.	-1.5	-1.3
15=13/17	<b>Annual balance</b>	<b>% GDP</b>		<b>n.a.</b>	<b>-0.3</b>	<b>0.0</b>
16=14/17	<b>Cumulated balance</b>	<b>% GDP</b>		<b>n.a.</b>	<b>-0.3</b>	<b>-0.3</b>
17	p.m. Nominal GDP	bn NAC	473.2	481.9	497.3	513.2

\* The medium-term plan is being assessed by the Commission at the cut-off date of this Report.

**Source:** Commission Spring 2025 Forecast and Commission's calculation

Table A1.4: **Defence expenditure**

			2021	2022	2023	2024	2025	2026
1	Total defence expenditure	% GDP	0.6	0.6	0.6	0.7	0.8	0.8
2	of which: gross fixed capital formation	% GDP	0.1	0.1	0.1	0.1	0.1	0.1

**Source:** Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation

Table A1.5: **Macroeconomic developments and forecasts**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1=7+8+9	<b>Real GDP</b>	<b>% change</b>	<b>-1.2</b>	<b>-0.3</b>	<b>-0.3</b>	<b>n.a.</b>	<b>1.0</b>
2	Private consumption	% change	0.1	0.2	0.3	n.a.	1.0
3	Government consumption expenditure	% change	1.6	-0.3	-0.4	n.a.	-0.4
4	Gross fixed capital formation	% change	-3.4	-0.7	-0.7	n.a.	1.9
5	Exports of goods and services	% change	-4.3	-0.9	-1.0	n.a.	1.9
6	Imports of goods and services	% change	-5.0	-0.2	-0.6	n.a.	1.9
	<b>Contributions to real GDP growth</b>						
7	- Final domestic demand	pps	-0.5	-0.1	-0.1	n.a.	0.9
8	- Change in inventories	pps	-1.0	0.3	0.0	n.a.	0.0
9	- Net exports	pps	0.4	-0.4	-0.2	n.a.	0.1
10	Output gap	% pot GDP	-1.2	-1.9	-1.7	n.a.	-1.1
11	Employment	% change	0.0	0.2	0.1	n.a.	0.4
12	Unemployment rate	%	5.2	5.3	5.3	n.a.	5.2
13	Labour productivity	% change	-1.2	-0.5	-0.4	n.a.	0.5
14	HICP	% change	2.9	2.8	2.9	n.a.	2.1
15	GDP deflator	% change	3.1	2.4	3.5	n.a.	2.2
16	Compensation of employees per head	% change	8.4	3.4	3.2	n.a.	3.1
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	2.5	n.a.	2.9	n.a.	2.7

**Source:** Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.6: **General government budgetary position**

	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
<b>1=2+3+4+5</b>	<b>Revenue</b>	<b>51.6</b>	<b>52.2</b>	<b>52.0</b>	<b>na.</b>	<b>52.1</b>
	<i>of which:</i>					
2	- Taxes on production and imports	14.0	14.7	14.7	na.	14.7
3	- Current taxes on income, wealth, etc.	14.4	14.1	14.1	na.	14.1
4	- Social contributions	16.4	16.7	16.7	na.	16.7
5	- Other (residual)	6.8	6.7	6.6	na.	6.6
<b>8=9+16</b>	<b>Expenditure</b>	<b>56.3</b>	<b>56.8</b>	<b>56.4</b>	<b>na.</b>	<b>56.3</b>
	<i>of which:</i>					
9	- Primary expenditure	54.8	55.1	54.6	na.	54.5
	<i>of which:</i>					
10	- Compensation of employees	11.5	11.6	11.7	na.	11.7
11	- Intermediate consumption	7.1	7.2	7.1	na.	7.0
12	- Social payments	24.9	25.6	25.5	na.	25.6
13	- Subsidies	2.0	1.9	1.8	na.	1.7
14	- Gross fixed capital formation	3.9	3.9	3.9	na.	4.0
15	- Other	5.4	4.9	4.7	na.	4.6
16	- Interest expenditure	1.5	1.7	1.7	na.	1.8
<b>18=1-8</b>	<b>General government balance</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-4.4</b>	<b>na.</b>	<b>-4.2</b>
<b>19=1-9</b>	<b>Primary balance</b>	<b>-3.2</b>	<b>-2.8</b>	<b>-2.7</b>	<b>na.</b>	<b>-2.4</b>
20	Cyclically adjusted balance	-4.0	na.	-3.4	na.	-3.6
21	One-offs	0.0	0.0	0.0	na.	0.0
<b>22=20-21</b>	<b>Structural balance</b>	<b>-4.0</b>	<b>-3.4</b>	<b>-3.4</b>	<b>na.</b>	<b>-3.6</b>
<b>23=22+16</b>	<b>Structural primary balance</b>	<b>-2.5</b>	<b>-1.7</b>	<b>-1.7</b>	<b>na.</b>	<b>-1.8</b>

**Source:** Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.7: **Debt developments**

	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
<b>1</b>	<b>Gross debt ratio* (% of GDP)</b>	<b>81.8</b>	<b>84.7</b>	<b>84.0</b>	<b>na.</b>	<b>85.8</b>
<b>2=3+4+8</b>	<b>Change in the ratio (pps. of GDP)</b>	<b>3.3</b>	<b>2.9</b>	<b>2.3</b>	<b>na.</b>	<b>1.7</b>
	<b>Contributions**</b>					
3	<b>Primary balance</b>	<b>3.2</b>	<b>2.8</b>	<b>2.7</b>	<b>na.</b>	<b>2.4</b>
<b>4=5+6+7</b>	<b>'Snow-ball' effect</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.8</b>	<b>na.</b>	<b>-0.8</b>
	<i>of which:</i>					
5	- Interest expenditure	1.5	1.7	1.7	na.	1.8
6	- Real growth effect	0.9	0.2	0.2	na.	-0.8
7	- Inflation effect	-2.3	-1.9	-2.7	na.	-1.8
8	<b>'Stock-flow' adjustment</b>	<b>0.0</b>	<b>0.1</b>	<b>0.4</b>	<b>na.</b>	<b>0.1</b>

(1) End of period. (2) The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.

**Source:** Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR)

Table A1.8: **RRF – Grants**

Revenue from RRF grants (% of GDP)		2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	n.a.	0.1	0.2	0.2	0.1	0.1	0.0
2	Cash disbursements of RRF grants from EU	n.a.	0.1	0.0	0.2	0.0	0.4	0.1
Expenditure financed by RRF grants (% of GDP)		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.1	0.1	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Capital transfers	0.0	0.0	0.1	0.1	0.0	0.0	0.0
6=4+5	Total capital expenditure	0.0	0.0	0.1	0.2	0.1	0.0	0.0
Other costs financed by RRF grants (% of GDP)		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Annual Progress Report

## Cost of ageing

**Total age-related spending in Austria is projected to rise from about 28% of GDP in 2024 to about 29% in 2040 and 30% in 2070 (see Table A1.9).** The overall increase is the result of the projected rise in long-term care and healthcare expenditure, with pension and education spending broadly unchanged in the long term. In 2070, Austria would have the second highest overall spending on age-related items of all Member States.





















**Public pension spending is projected to increase over the next decade by nearly 1 pp of GDP but decline again thereafter, stabilising at around 14% of GDP as of 2050.** Despite the overall stability in the long term, in 2070 Austria would remain among the Member States with the highest pension spending level.

**The projected increases in health and long-term care public spending, due to an ageing population, pose a risk to fiscal sustainability in the medium and long term for Austria.** Public healthcare expenditure is projected at 7.7% of GDP in 2024 (above the EU average of 6.6%) and is expected to increase by 0.7 pps by 2040 and by a further 0.5 pps by 2070 <sup>(76)</sup>. Public expenditure on long-term care is projected at 1.6% of GDP in 2024 (slightly below the EU average of 1.7%) and is expected to increase by 0.5 pps of GDP by 2040 and by a further 0.9 pps of GDP by 2070 <sup>(77)</sup>.

<sup>(76)</sup> Key performance characteristics, recent reforms and investments of the Austrian healthcare system are discussed in Annex 14 'Health and health systems'.

<sup>(77)</sup> The adequacy and quality of the Austrian long-term care system are covered in Annex 11 'Social policies'.

Table A1.9: **Projected change in age-related expenditure in 2024-2040 and 2024-2070**

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to:					age-related expenditure 2040 (%GDP)	
		pensions	healthcare	long-term care	education	total		
AT	28.0	 0.4	 0.7	 0.5	 -0.3	 <b>1.3</b>	29.3	AT
EU	24.3	 0.5	 0.3	 0.4	 -0.3	 <b>0.9</b>	25.2	EU
	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to:					age-related expenditure 2070 (%GDP)	
		pensions	healthcare	long-term care	education	total		
AT	28.0	 -0.1	 1.2	 1.5	 -0.3	 <b>2.2</b>	30.2	AT
EU	24.3	 0.2	 0.6	 0.8	 -0.4	 <b>1.3</b>	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

## National fiscal framework

**Austria has chosen to split the Independent Fiscal Institution (IFI) tasks between two institutions.** The Austrian Institute of Economic Research (WIFO) produces the macroeconomic forecast underlying the government's budgetary plans, while the Austrian Fiscal Advisory Council (FISK) monitors compliance with fiscal rules and delivers forecasts, long-term projections and, more sporadically, costing of measures. This set-up leverages established institutions and practices but could make it difficult to identify a clear IFI reference point. Both institutions seem to have sufficient resources for their currently assigned tasks, but there are no explicit mechanisms in place to ensure stable funding. The policy dialogue with the government and parliament could be improved. Both institutions are relatively present in traditional media and have stand-alone websites, as well as social media presence.

**Austria has one of the most comprehensive national frameworks in terms of the integration of green budgeting into its budgetary decision-making.** The Federal Ministry of Finance has established a green budgeting focal point as an inter-institutional point of contact coordinating green budgeting activities and has developed a range of instruments to support the implementation of green budgeting, including impact assessments and green spending reviews. Activities cover the climate-specific and environment-specific impacts of all budgetary, regulatory, and tax policy measures.

**The Federal Ministry of Finance has started integrating climate-related risks into its fiscal forecasts.** For the first time, it assessed and reported on the potential fiscal impacts of climate change mitigation efforts until 2050 in its 2022 Long-Term Budget Forecast. Findings were presented to Parliament and published.

Table A1.10: **Fiscal Governance Database Indicators**

2023	Austria	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	13.48	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.60	0.73

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.

**Source:** [Fiscal Governance Database](#)

## ANNEX 2: TAXATION

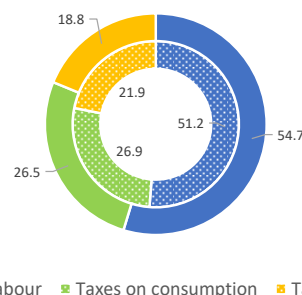
**This annex provides an indicator-based overview of Austria's tax system.** It includes information on: (i) the tax mix; (ii) competitiveness and fairness aspects of the tax system; and (iii) tax collection and compliance.

**Austria's tax revenues relative to GDP are high, with the largest contribution coming from labour taxation, while growth-friendly tax bases appear to be underused.** In 2023, total tax revenues in Austria as a percentage of GDP (including compulsory social security contributions) amounted to 43.1%. Despite a series of tax reforms (in 2005, 2010, 2015 and two in 2022), Austria remains a high-tax country with a tax-to-GDP ratio above the EU average. As shown in Table A2.1, labour tax revenues as a percentage of GDP in 2023 were among the highest in the EU. Revenues from consumption taxes and environmental taxes as a percentage of GDP were very close to the EU average. Revenues from capital taxes and property taxes were below the EU average. Recurrent taxes on property as a percentage of GDP in Austria were among the lowest in the

EU, partly because the cadastral values used as the tax base are largely outdated. In addition, Austria has no inheritance, estate, wealth or gift taxes.

Graph A2.1: Tax revenue shares in 2023

Tax revenue shares in 2023, Austria (outer ring) and EU (inner ring)



Source: Taxation Trends Data, DG TAXUD

**Austria's tax system faces moderate sustainability risks due to an ageing population and an excessive reliance on labour taxes.** In 2023, Austria performed better than the EU average in labour market indicators (participation and employment rates)

Table A2.1: Taxation indicators

		Austria					EU-27				
		2010	2021	2022	2023	2024	2010	2021	2022	2023	2024
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	41.4	43.6	43.1	43.1		37.8	40.2	39.7	39.0	
By tax base	Taxes on labour (% of GDP)	23.3	24.1	23.0	23.6		19.8	20.5	20.1	20.0	
	of which, social security contributions (SSC, % of GDP)	14.2	15.5	14.8	15.1		12.9	13.0	12.7	12.7	
	Taxes on consumption (% of GDP)	11.7	11.5	11.3	11.4		10.9	11.2	10.9	10.5	
	of which, value added taxes (VAT, % of GDP)	7.7	7.5	7.9	8.0		6.8	7.3	7.4	7.1	
	Taxes on capital (% of GDP)	6.4	8.0	8.9	8.1		7.1	8.5	8.7	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	9.6	9.9	9.7	9.5		8.6	9.6	9.4	9.3	
	Corporate income taxes (CIT, % of GDP)	2.0	2.8	3.5	3.4		2.2	2.9	3.2	3.2	
	Total property taxes (% of GDP)	0.6	0.9	0.8	0.6		1.9	2.2	2.1	1.9	
	Recurrent taxes on immovable property (% of GDP)	0.2	0.2	0.2	0.2		1.1	1.1	1.0	0.9	
	Environmental taxes (% of GDP)	2.4	2.4	1.9	2.0		2.5	2.4	2.1	2.0	
	Effective carbon rate in EUR per tonne of CO <sub>2</sub> equivalents	NA	82.7	NA	89.9		NA	86.0	NA	84.8	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	38.4	37.2	34.2	36.9	37.2	33.9	31.8	31.5	31.5	31.8
	Tax wedge at 100% of average wage (single person) (*)	48.2	47.8	46.9	47.2	47.0	40.9	39.9	39.9	40.2	40.3
	Corporate income tax - effective average tax rates (1) (*)	22.9	22.7	22.7	21.8		21.3	19.3	19.1	18.9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	10.3	10.1	9.5	9.0		8.6	8.2	7.9	7.7	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		8.6	8.2				35.5	32.6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		2.6	3.0	3.9			6.6	7.0		

(1) Forward-looking effective tax rate (KPMG).

(2) A higher value indicates a stronger redistributive impact of taxation.

(\*) EU-27 simple average.

(\*\*) Forecast value for 2023. For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, [https://data.europa.eu/doi/10.2778/2\\_476\\_549](https://data.europa.eu/doi/10.2778/2_476_549)

For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, [https://ec.europa.eu/taxation\\_customs/taxation-1/economic-analysis-taxation/data-taxation\\_en](https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en).

Source: European Commission, OECD





and dependency ratios, and this is expected to remain the case until 2050.

**Austria provides several tax incentives for investment.** Considerable tax support for R&D (0.22% of GDP) is available. Venture capital investments can also benefit from these tax incentives. In addition, a new legal form for companies has been created specifically to meet the needs of venture capital investments.

**Austria has to some extent lost ground in venture capital financing but introduced tax incentives.** Compared with other European countries, Austria ranks in the lower midfield, 15th out of 24 EU countries (for which data are available), with a below-average growth rate since 2013. To counter this, Austria offers attractive tax incentives to support venture capital investment, such as R&D incentives and investment allowances.

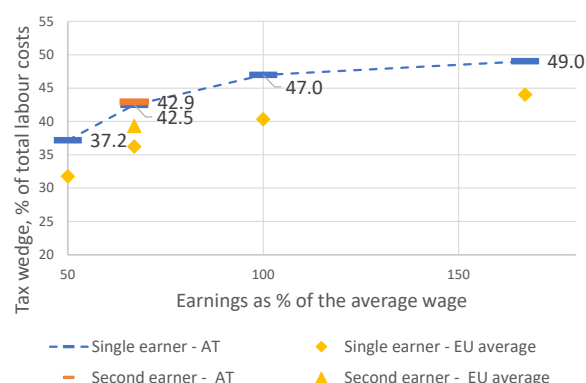
**Tax compliance in Austria is perceived as somewhat burdensome due to several factors.** These include the complexity of the tax system, high tax rates and strict regulatory requirements. However, the country has introduced measures to simplify tax compliance, such as automatically filling in certain fields of taxpayers' personal income tax returns using information already collected or available to the tax authorities.

**In Austria, income inequality is relatively low, but wealth is highly concentrated.** Effective tax rates for capital income and labour income are broadly similar in Austria, indicating a relatively balanced treatment of these two sources of income. Austria's labour taxation income system is progressive.

**Austria's tax regulations include a 20% deduction scheme for employees of foreign companies.** The scheme provides a flat-rate professional expenses allowance of 20% on an income that is calculated by subtracting preferentially taxed special payments and any tax-free remuneration from the gross income. Austria also has **specific scheme for artists.**

**Austria's tax-benefit system helps reduce income inequality, but the labour tax burden is relatively high at various wage levels.** In 2024, the labour tax wedge <sup>(78)</sup> was substantially higher than the EU average at various income levels, i.e. for single persons earning the average wage (100%) and those earning 50%, 67% and 167% of the average wage (see Graph A2.2). Second earners earning 67% of the average wage, whose spouses earn the average wage, face a tax wedge higher than the EU average, although they are taxed only slightly more heavily than single persons at the same wage level. Overall, the tax-benefit system is effective in reducing income inequality. In 2023, it led to a reduction of the Gini coefficient by 9 points, whereas the EU average reduction was at 7.7 points.

Graph A2.2: Tax wedge for single and second earners, % of total labour costs, 2024



The tax wedge for second earner assumes a first earner at 100% of the average wage and no children. For the full methodology, see OECD, 2016, Taxing Wages 2014-2015.

**Source:** European Commission

**Austria's VAT compliance gap is relatively low and has decreased since the beginning of the last decade,** falling from 10% of VAT total tax liability in 2010 to 2.8% in 2021. The cost of collection ratio in Austria has remained

<sup>(78)</sup> The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer).

almost unchanged since 2018 and amounts to 0.6% of total revenue.

**On tax dispute resolution, there were 39 mutual agreement procedure on 1 January 2022.** In 2022, 15 new cases were initiated and 11 were closed. There seems to be room to improve the effectiveness of these processes, which is also necessary to comply with the requirements of the Directive on tax dispute resolution mechanisms in the EU <sup>(79)</sup>)

---

<sup>(79)</sup> Council Directive (EU) 2017/1852 of 10 October on tax dispute resolution mechanisms in the EU.

**Austria is a strong innovator, but further efforts are required to foster top-level research in emerging fields and breakthrough innovation, and more risk capital is needed to unlock business dynamism.** According to the 2024 edition of the European Innovation Scoreboard<sup>(80)</sup>, the country's performance is above the EU average (116.3%), but its performance lead is shrinking and innovative activity lags behind the best-performing EU countries. Austria's R&D intensity exceeds the EU average (2.24%) and reached 3.29% of the GDP in 2023. Dependence on medium to high-tech industries calls for further promotion of disruptive technologies and the scaling up of innovation to renew the economic fabric. Moreover, the country shows limited dynamism in terms of the digitalisation of enterprises and the uptake of advanced technologies. Despite a favourable situation overall, Austria's innovation support system can be improved, in particular in relation to top-level research in emerging fields, breakthrough innovation and risk capital availability.

### Science and innovative ecosystems

**While Austria's public R&D intensity (gross domestic expenditure on public R&D as a percentage of GDP) has increased steadily over the past decade, scientific excellence has seen a relative decline over time.** Public R&D intensity (1.01% in 2023) is the second highest in the EU and evolved favourably during the past decade. While this has contributed ensuring a solid public research base, scientific excellence has declined moderately over time and needs further

attention. Scientific publications of Austria within the top 10% most cited scientific publications worldwide as % of total scientific publications of the country with 10.4% vs 11.4% a decade ago, is just above the EU average (9.6%) but below the rate of innovation leaders such as Belgium, the Netherlands, Finland and Sweden. Implementing the 'Excellence initiative' is a major step towards promoting top-level research and raising the impact of Austria's research system. In addition, to strengthen Austria's research excellence, there is a need for continuous monitoring and evaluation of ongoing policy actions and continued improvements of research career prospects to attract and retain talent.

### Business innovation

**The high level of R&D investments does not fully translate into high-impact innovation and business dynamism.** Business enterprise expenditure on R&D as a percentage of GDP is well above the EU average (2.27% vs 1.49%) and is concentrated in medium to high-tech sectors such as mechanical engineering, metalworking and electrical industries<sup>(81)</sup>. In the past decade, public support for business R&D has been strengthened, mainly through increased R&D tax incentives, and is now the fourth highest in the EU. However, despite substantial government support for R&D, Austria's innovation outputs are lower than one might expect from its level of innovation-related investments<sup>(82)</sup> and it lags behind the innovation leaders<sup>(83)</sup>. There is a noticeable gap in innovation activities between large companies and SMEs<sup>(84)</sup>. Although patenting

<sup>(80)</sup> 2024 European Innovation Scoreboard (EIS), [country profile Austria](#). The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

<sup>(81)</sup> [Austrian Research and Technology Report 2024](#).

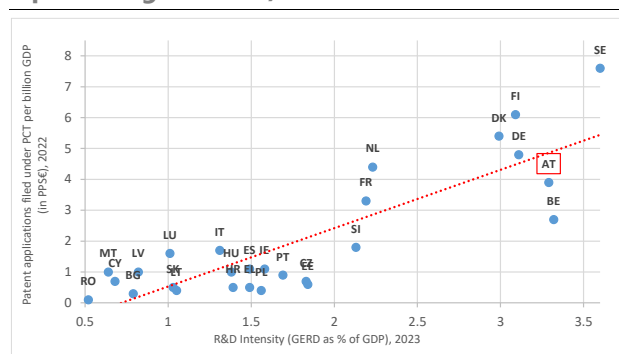
<sup>(82)</sup> [Global Innovation Index 2024 Austria](#).

<sup>(83)</sup> [The Innovation Output Indicator 2023](#).

<sup>(84)</sup> [Technology & Innovation in Industry 4.0](#).

activity remains above the EU average, it has been steadily decreasing over the past decade<sup>(85)</sup>. This has acted as a brake on business dynamism: only 7.02% of Austrians were employed in fast-growing enterprises in 2020, against the EU average of 12.51%. Value added in high-tech knowledge-intensive services as a percentage of total value added was 4.04%, against the EU average of 4.97% in 2023.

Graph A3.1: **Patent applications filed under the PCT per billion GDP (in PPS €) in relation to R&D intensity (gross domestic expenditure on R&D as a percentage of GDP)**



Source: Eurostat, Fraunhofer data (PATSTAT)

**Expanding R&D capabilities in emerging technologies is necessary to achieve high-impact innovation.** With its research, technology and innovation (RTI) strategy for 2030, an important reform measure of its recovery and resilience plan, Austria aims to become an international innovation leader and has set itself the goal of attracting 5-10 new RDI intensive lead companies and generating twice as many economically successful academic spin-offs by 2030. To support projects that might lead to disruptive innovation, the 'expedition future' initiative<sup>(86)</sup> offers various programmes to support businesses, in particular start-ups. The implementation of the policy framework, which includes RTI-related sub-strategies such as the

Austrian 2030 research infrastructure action plan and a plan to promote public procurement through innovation, will require strong policy coordination between the various players and agile funding mechanisms.

**While the adoption of digital technologies by Austrian enterprises is close to the EU average, their adoption of advanced technologies is uneven.** In 2024, SMEs in Austria had a similar level of digitalisation (72.22%) as the EU average (72.9%), and the uptake of artificial intelligence (AI) technologies by Austrian businesses stood at 20.27% compared to 13.48% at EU level. On the other hand, the 2023 data show that the adoption of cloud technologies and data analytics by Austrian businesses remain relatively low, at 35.56% vs the EU average of 38.86% for cloud technologies and 23.94% vs the EU average of 33.17% for data analytics. Despite making a positive contribution to the EU's Digital Decade targets, Austria's digital transformation lacks strong momentum as only 2-3% of Austrian companies have reached the highest level of digital maturity<sup>(87)</sup>. To further advance digitalisation, Austria is making use of both national and EU-level initiatives, including the SME.DIGITAL programme, partly funded via RRF in the years 2020-2023. This programme supports SMEs by helping them develop digitalisation strategies and providing financial support for the implementation of digital investments. A new SME.DIGITAL scheme aims to facilitate the green transition by supporting digitalisation projects that contribute to environmental sustainability. Austria is also strengthening its digital innovation ecosystem through European Digital Innovation Hubs (EDIHs). By the end of 2022, four EDIHs had been set up under the Digital Europe programme, complementing national structures and creating opportunities for research and industry partnerships in areas such as AI, cybersecurity, blockchain, big data and Industry 4.0.

<sup>(85)</sup> Patent applications filed under the PCT per billion GDP (in PPS €) stood at 4.77 (EU average: 3.4) in 2020 compared to 5.00 in 2015 and 5.3 in 2010.

<sup>(86)</sup> [Expedition Future | FFG](#).

<sup>(87)</sup> [Technology & Innovation in Industry 4.0](#).

**Austria needs to exploit its well-established science-business linkages to drive breakthrough innovation and close the gap with European innovation leaders and the US.** Austria ranks first among EU countries as regards the number of public-private scientific co-publications as a percentage of the total number of publications (16% vs an EU average of 7.7% in 2023). Furthermore, the transfer of knowledge and technology from research institutes to firms has received positive assessments, with high mobility between the two sectors and strong knowledge absorption by firms<sup>(88)</sup>. Austria's R&D tax credit has been specifically designed to favour science-industry collaboration. While the existing networks and schemes effectively contribute to science-industry links, they often focus on incremental innovation. In that respect the COMET (Competence Centres for Excellent Technologies) programme, which supports the application of science, is an important funding source as it focuses on key technologies that are of strategic importance to Austria's competitiveness. In addition to expanding the already established framework and strengthening programmes that have proved their worth, specific attention must be paid to breakthrough innovation and to promoting a more entrepreneurial culture. Facilitating the application of SME research results is also an area that can bring further opportunities.

## Financing innovation

**The limited availability of risk capital funding holds back business dynamism and the scalability of Austrian start-ups.** For years, Austria's risk capital intensity has remained below international levels, as the funding of companies is heavily orientated towards bank loans and equity financing is low by international standards<sup>(89)</sup>. While venture

capital intensity<sup>(90)</sup> has been substantially higher in recent years than in the pre-COVID period (increasing from 0.022% in 2019 to 0.074% in 2023), it still remains slightly below the EU average (0.078%)<sup>(91)</sup> and well behind the international leaders in this area such as Estonia (0.335%), Denmark (0.156%) and Sweden (0.141). Limited venture capital financing is partly due to the low participation of institutional investors, including pension funds. The 2024 OECD Economic Survey of Austria suggests that it would benefit from revising corporate taxation elements that disincentivise investment financed by equity, and from increased use of state-backed 'funds of funds'. Austria has already introduced some measures<sup>(92)</sup> in this regard, such as the '*Gründungsfonds II: Startup Fund*', a 10-year state-financed venture capital fund for start-ups with a high growth potential and scalable business models, and '*Pre-seed / Seed financing*' to promote technology and knowledge-intensive start-ups. It is important to monitor these measures and evaluate their effectiveness. Further efforts are needed to reach Austria's venture capital intensity target of 0.1% by 2030 given its stagnation between 2021 and 2023. (See Annex 5 on access to finance).

<sup>(88)</sup> [OECD Economic Surveys: Austria 2024](#).

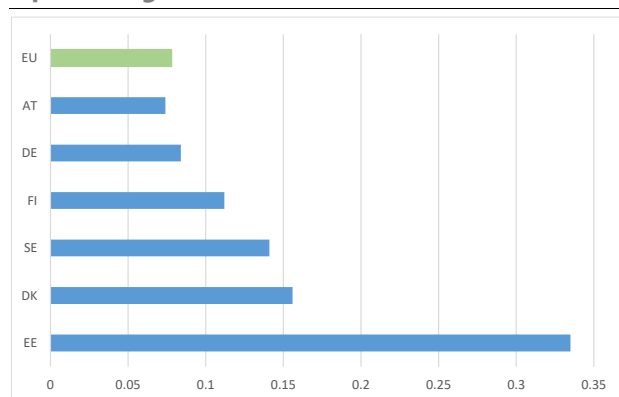
<sup>(89)</sup> [OECD Economic Surveys: Austria 2024](#).

<sup>(90)</sup> Venture capital investment as % of GDP.

<sup>(91)</sup> Data used from Invest Europe using a three-year moving average to reduce volatility.

<sup>(92)</sup> [Austria Wirtschaftsservice - AWS](#).

Graph A3.2: **Venture capital (market statistics) as a percentage of GDP, 2023 total**



Source: Invest Europe

## Innovative talent

**The shortage of skilled workers negatively affects Austria's capacity to innovate.** As a result of the skilled labour shortage, in 2021 51% of companies reported that they felt their possibilities of innovating and developing new products were restricted<sup>(93)</sup>. According to the Chamber of Commerce, the shortage of IT experts in particular is a major obstacle for companies, holding back the country's digital transition (see also Annex 10). The number of new graduates in science and engineering per thousand population aged 25-34 has been decreasing over the past decade. In response to this, also as part of its RTI Strategy Austria adopted a STEM action plan aiming to increase the proportion of science, technology, engineering and mathematics graduates by 20 % and increase the proportion of women graduates in technical subjects by 5 % by 2030 (see also Annex 12).

**Notable efforts have been made to increase and strengthen entrepreneurship education in Austria, but policies remain highly segmented between educational levels.** In school education, various institutions are working together to improve entrepreneurship education, whereas in the new 2023/24

curricula for primary and lower secondary schools, entrepreneurship training is included as a cross-curricular theme to be covered under various subjects. At the same time, higher education institutions are also increasing their offer of entrepreneurship training and encouraging start-ups. Over the last three years, 16% of all start-ups were spin-offs in the course of academic training and 7% were spin-offs from academic employment. Despite these ongoing efforts, entrepreneurship education is highly segmented between education levels and there is a lack of monitoring and direct evaluation of the quality of entrepreneurship education.

<sup>(93)</sup> [Demand for/Lack of Skilled Labour in Austria in 2021.](#)

Table A3.1: Key innovation indicators

Austria	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
<b>Headline indicator</b>									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.93	3.07	3.21	3.26	3.18	3.29	:	2.24	3.45
<b>Science and innovative ecosystems</b>									
Public expenditure on R&D as % of GDP	0.85	0.91	0.96	1	0.97	1.01	:	0.72	0.64
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	11	11.4	10.4	10.4	:	:	:	9.6	12.3
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	3.4	3.9	4.2	4.4	4.6	4.9	:	4.2	:
International co-publications as % of total number of publications	57.6	63.5	67.1	68	68.3	68.8	:	55.9	39.3
<b>R&amp;D investment &amp; researchers employed by businesses</b>									
Business enterprise expenditure on R&D (BERD) as % of GDP	2.07	2.15	2.23	2.24	2.19	2.27	:	1.49	2.7
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	:	0.63	:	0.64	:	:	:	0.4	0.3
Researchers employed by business per thousand active population	5.6	6.7	7.4	8	8.3	8.8	:	5.7	:
<b>Innovation outputs</b>									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	4.9	5	4.8	4.2	3.9	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	9.56	8.61	7.02	:	:	:	:	12.51	:
<b>Digitalisation of businesses</b>									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	67.32	:	72.22	72.91	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	23.94	:	33.17	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	28.76	:	35.56	:	38.86	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	8.83	:	10.79	20.27	13.48	:
<b>Academia-business collaboration</b>									
Public-private scientific co-publications as % of total number of publications	12.8	14.5	14.8	15.6	15.6	16	:	7.7	8.9
Public expenditure on R&D financed by business enterprise (national) as % of GDP	:	0.054	:	0.063	:	:	:	0.05	0.02
<b>Public support for business innovation</b>									
Total public sector support for BERD as % of GDP	:	0.261	:	0.339	:	:	:	0.204	0.251
R&D tax incentives: foregone revenues as % of GDP	0.181	0.162	0.275	0.219	0.170	:	:	0.102	0.141
BERD financed by the public sector (national and abroad) as % of GDP	:	0.099	:	0.120	:	:	:	0.100	0.110
<b>Financing innovation</b>									
Venture capital (market statistics) as % of GDP, total (calculated as a 3-year moving average)	0.019	0.025	0.021	0.073	0.079	0.074	:	0.078	:
Seed stage funding share (% of total venture capital)	12.802	4.9828	3.1163	2.3	1.9	2.6	:	7.3	:
Start-up stage funding share (% of total venture capital)	42.366	38.046	41.089	14.9	18.415	21.663	:	44.02	:
Later stage funding share (% of total venture capital)	44.832	56.971	55.795	82.82	79.693	75.742	:	48.69	:
<b>Business innovation enablers: Innovative talent</b>									
New graduates in science and engineering per thousand population aged 25-34	16.2	18.4	19.4	19.2	18.1	:	:	17.6	:

(1) EU average for the last available year or the year with the highest number of country data.

**Source:** Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard



**Skills shortages are a major obstacle to investment, while a high administrative and regulatory burden, low business dynamism, and regulatory restrictiveness in services hold productivity growth back.** In addition to a lack of skilled labour, energy costs and economic uncertainty, access to finance continues to be a barrier hampering the creation and growth of start-ups and innovative companies (see the Capital Markets, Financial Stability and Access to Finance Annex). Further challenges include Austria's low enterprise birth rate in combination with a low use of venture capital, while insolvencies are on the increase. The country remains among the most restrictive Member States in terms of services, including professional services and retail operations, with room for improvement also seen for other Single Market indicators.

### Economic framework conditions

**The challenging economic situation has led to reductions in private investment.** Weak demand from abroad is hitting industries hard. As businesses have to adapt their production processes to the changed conditions on the energy market and to facilitate their green and digital transition, substantial public investment will be required <sup>(94)</sup>. The perceived investment gap reported by companies in Austria is slightly lower than the EU average, with 12% of firms reporting underinvestment over the past three years (compared with an EU average of 14%) <sup>(95)</sup>. Austria's foreign direct investment (FDI) stock has stagnated at around 40% of GDP, with FDI mainly directed towards service activities, reflecting Austria's role as a regional hub for multinational enterprises <sup>(96)</sup>.

<sup>(94)</sup> Austrian Productivity Board, 2024, *Productivity Report*, [Produktivitaetsrat.at](https://produktivitaetsrat.at).

<sup>(95)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

<sup>(96)</sup> OECD, 2023, *FDI Qualities Review of Austria*, [Oecd.org](https://oecd.org).

**A lack of skilled labour is seen as the main obstacle to investment <sup>(97)</sup>.** According to the EIB Investment Survey 2024, 86% of Austrian companies considered the lack of availability of skilled staff an impediment to investment. However, the share of industrial companies reporting shortages as a factor limiting their production has fallen below the EU average (11.2% vs an EU average of 20.2%). Nevertheless, labour and skills shortages overall are increasingly becoming a barrier to growth, in particular due to population ageing <sup>(98)</sup>. One of the highest vacancy rates in the EU, an increasing part-time rate for men and women and a comparatively low employment rate of older people have further aggravated shortages in many sectors <sup>(99)</sup>. In the medium and long term, the available labour supply also depends on migration, which can help alleviate shortages and increase Austria's innovation potential <sup>(100)</sup>. There are also specific shortages in the IT sector, with the lack of IT professionals often seen by managers as the biggest hurdle in the digitalisation and data back-up of businesses and 57% of businesses reported a shortage of IT specialists <sup>(101)</sup>.

**Energy costs and uncertainty about the future are also identified as obstacles <sup>(102)</sup>, while material shortages are decreasing.** Particularly energy-intensive industries have felt the burden of energy costs on business revenues since the energy crisis (see also the Affordable Energy Transition Annex). However, the share of businesses facing material supply

<sup>(97)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

<sup>(98)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

<sup>(99)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

<sup>(100)</sup> Austrian Productivity Board, 2024, *Productivity Report*, [Produktivitaetsrat.at](https://produktivitaetsrat.at).

<sup>(101)</sup> Initiative Future Business Austria, 2024, *Österreichischer Infrastrukturreport 2025*, [Fzg.at](https://fzg.at).

<sup>(102)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).



constraints has decreased and is now below the EU average.

**Availability of finance remains an obstacle to investment and hampers business dynamism.**

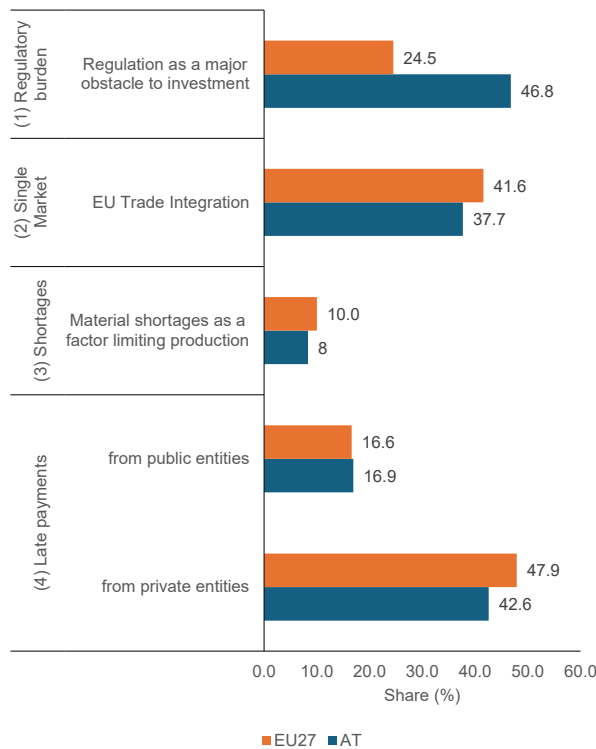
The share of Austrian business reporting this as an obstacle is slightly above the EU average (47% vs 45%) <sup>(103)</sup>. A low use of venture capital is hampering the creation and growth of innovative and deep-tech companies and particularly affects start-ups and SMEs (see the Innovation to Business Annex). With business financing heavily skewed towards bank loans, capitalisation of domestic companies is low in international comparison <sup>(104)</sup> (see also the Capital Markets, Financial Stability and Access to Finance Annex). Better access to venture capital, in particular seed and early-stage funding, could help translate investments in research and innovation into higher business growth and productivity (see the Innovation to Business Annex). In terms of advanced manufacturing, there has been a shift away from Austria's role as a leading destination for venture capital investments due to the growing relevance of Germany as a hub in this sector <sup>(105)</sup>.

<sup>(103)</sup>European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://www.eib.org).

<sup>(104)</sup> Austrian Productivity Board, 2024, *Productivity Report*, [Produktivitaetsrat.at](https://produktivitaetsrat.at).

<sup>(105)</sup>European Commission Joint Research Centre, 2024, *Strategic Insights into the EU's Advanced Manufacturing Industry: Trends and Comparative Analysis*, 2024, [Jrc.ec.europa.eu](https://jrc.ec.europa.eu).

Graph A4.1: **Making Business Easier: selected indicators.\***



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) firms, (4) SMEs.

\* Q4 data on trade integration is not yet available

**Sources:** (1) EIB IS, (2) Eurostat, (3) ECFIN BCS, (4) SAFE survey.

**Delays for payments from the public sector have increased.**

The gap between agreed and actual payment times for payments from the public sector has increased to 18.1 days, surpassing the EU average of 15.2 days. The share of SMEs reporting late payments from public entities was also slightly above the EU average in 2024 (16.9% vs 16.6%). However, the share of SMEs reporting late payments from private entities was below the EU average (42.6% vs 47.9%). Furthermore, in 2024 Austria had a comparatively small payment gap for private sector/business-to-business payments, with an average of 13.7 days, below the EU average of 15.5 days.

**Austrian firms' perceptions of transport and digital infrastructure as obstacles to investment are higher than the EU average.**

Nearly half (49%) of Austrian businesses identify transport infrastructure as an obstacle, with 16% considering it as a major obstacle,

which is above the EU averages of 45% and 13.4%, respectively. In addition, 50% see the country's digital infrastructure as negatively impacting investment, which is also higher than the EU average, which stands at 41% <sup>(106)</sup>.

#### **A mixed picture for digital infrastructure.**

While 5G deployment is progressing well, the country lags behind in gigabit infrastructure, ranking among the lowest in the EU for very high-capacity network (VHCN) coverage. However, recent developments indicate an improving outlook, bringing Austria closer to the Digital Decade targets.

#### **Austria has made significant progress in expanding VHCNs but still lags behind the EU average.**

VHCN coverage in Austria stands at 67.6% (compared to 78.8% in the EU), with rural coverage particularly low at 35.8% (against the EU average of 55.6%). However, Austria recorded one of the highest year-on-year increases in the EU between 2022 and 2023, with a +23.3% growth in coverage (+12.8 percentage points), indicating a positive trend towards closing the gap with the EU average. To accelerate broadband deployment, Austria is implementing the Broadband Austria 2030 initiative, which is a key measure under the country's Digital Decade strategic roadmap. Gigabit connectivity is a national priority, and this initiative accounts for 40% of the total budget presented in the roadmap, fully funded through Austria's recovery and resilience plan. Austria has committed to reaching 100% VHCN coverage by 2030, in line with the EU's Digital Decade targets. Ensuring rural connectivity will be particularly challenging due to the country's mountainous geography, but targeted measures within Broadband Austria 2030 are designed to bridge the urban-rural digital divide.

#### **5G coverage in the country is well above the EU average.**

It has reached 96.0% compared to the overall EU figure of 89.3%. However, the

annual growth rate in 5G coverage (4.7%) is below the EU average (9.8%), reflecting Austria's already high coverage level, where the remaining gaps are more difficult to close.

#### **Austria is also reinforcing its digital resilience through its national cybersecurity strategy,**

which focuses on decentralised resource allocation, capability development, and international cooperation. Austria has well-established cybersecurity structures, including the Operational Coordination Structure (OpKoord), IKDOK, the Cyber Security Steering Group, and the Cyber Security Platform, which will be further strengthened. In 2024, the country saw a decrease in the number of businesses reporting ICT security incidents caused by external cyberattacks, falling from 3.4% of firms in 2022 to 2.02%.

#### **Reduction of regulatory and administrative barriers**

#### **Austria has a high administrative and regulatory burden.**

The country is ranked as less competition-friendly for this metric than the OECD average <sup>(107)</sup>. Business regulation is also seen as a greater obstacle to investment than the EU average. According to the EIB Investment Survey, this is reported as an issue by 75% of businesses (EU average 66%). 46.8% even consider this a major obstacle, which is considerably higher than the EU average of 24.5% <sup>(108)</sup>. Austrian companies have also spent more time and more money on bureaucracy during the past five years than previously, according to the Austrian Chamber of Commerce <sup>(109)</sup>. However, while licensing and permits may be seen as comparatively less

<sup>(107)</sup> OECD, 2024, *Product market regulation – country note Austria*, 2024, [Oecd.org](https://oecd.org).

<sup>(108)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

<sup>(109)</sup> Austrian Economic Chamber, 2024, *Standortfaktor Bürokratie*, [Wko.at](https://wko.at).

<sup>(106)</sup> European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

cumbersome<sup>(110)</sup>, administrative and regulatory constraints can still hamper faster progress in significant areas such as the deployment of renewables. While efforts to simplify procedures have been adopted, such as the Renewables Expansion Act and an amendment of the Environmental Impact Assessment Act, the far-reaching powers of federal states in areas like spatial planning and zoning can lead to complex requirements and differing procedures.

**Austria's development in digital public services and e-government is positive.** While Austria performs around the EU average in digital public services for citizens, there is more untapped potential in public services for businesses. However, the mobile-friendliness of Austria's digital public services stands out at the EU level<sup>(111)</sup> (see the Effective Institutional Framework Annex).

**Amid an increase in insolvencies, Austria would benefit from greater business dynamism to boost the efficient allocation of resources and productivity growth.** In 2024 there was a surge of insolvencies with the Austrian credit protection association KSV1870 reporting that 6 550 companies had to file for insolvency in 2024, which is 22% more than the previous year, averaging 18 bankruptcies per day. Particularly affected were retail, the construction industry and the hospitality and accommodation sector<sup>(112)</sup>. At the same time, the business environment generally suffers from a very low level of dynamism. Austria's enterprise birth rate tends to be one of the lowest in the EU, and the rate of company closure is also among the lowest<sup>(113)</sup>. However, despite the challenging economic climate, 2024

saw a very positive trend in terms of start-ups, with a record of 36 673 new companies registered, 46.0% of them founded by women<sup>(114)</sup>. In terms of its insolvency procedures, Austria still lags behind other countries for the speed of starting and resolving proceedings, according to the OECD<sup>(115)</sup>. However, Austria has already transposed the EU Directive on Restructuring and Insolvency into national law<sup>(116)</sup>.

**Against the backdrop of low dynamism and young innovative companies and start-ups struggling with liquidity, Austria has adopted a start-up package as part of its recovery and resilience plan.** This package included the introduction of the new legal form of 'flexible company' (FlexKapG). It aims to cater to the specific needs of start-ups and other innovative companies by reducing the minimum share capital at the time of incorporation as well as by reducing the minimum corporation tax by over 70% (see also the Capital Markets, Financial Stability and Access to Finance Annex). Early evidence indicates significant take-up of these new options. In the first year since its introduction, 784 'flexible companies' had already been established, benefiting from the legal advantages offered by this corporate structure. After five years, the total number of Flexible Companies is expected to reach 7 500.

**Tax compliance in Austria is perceived as somewhat burdensome.** This is due to various factors, including the complexity of the tax system, high tax rates, and rigorous regulatory requirements. However, the country has implemented measures to simplify tax compliance, such as the automatic filling in of certain fields of taxpayers' private income tax (PIT) returns with information already collected

---

<sup>(110)</sup>OECD, 2024, *Product market regulation – country note Austria*, 2024, [Oecd.org](https://oecd.org).

<sup>(111)</sup>European Commission, 2024, *Digital Decade Country Report Austria*, [Ec.europa.eu](https://ec.europa.eu).

<sup>(112)</sup>KSV1870, 2024, *Insolvenzschieb mit Sogwirkung: Firmenpleiten steigen um 22 Prozent*, [Ksv.at](https://ksv.at).

<sup>(113)</sup>European Commission, 2024, *Business demography statistics*, [Ec.europa.eu](https://ec.europa.eu).

---

<sup>(114)</sup>Austrian Economic Chamber, 2025, *Factsheet Gründen und Startup*, [WKO.at](https://wko.at).

<sup>(115)</sup>OECD, 2024, *Economic Surveys: Austria*, [Oecd.org](https://oecd.org).

<sup>(116)</sup>OECD, 2022, *Enhancing insolvency frameworks to support economic renewal*, [Oecd.org](https://oecd.org).

or accessible to the tax authorities. The share of e-filing for PIT returns steadily increased to almost 88.1% in 2022. Austria's tax collection efficiency is relatively high, with a cost of collection ratio of 0.6% of total revenue in 2022. On the tax compliance and evasion issues, it should be noted that Austria only has a comparatively small shadow economy <sup>(117)</sup>.

## Single Market

**Austria is a small, open and diversified economy which is strongly integrated into the Single Market.** Intra-EU trade stood at 37.7% of GDP in 2024, slightly below the EU average. However, EU Member States, in particular Germany, remain among Austria's most important trading partners. Germany is also the biggest investor in the country <sup>(118)</sup>. Despite Austria's export industry having suffered worsening price competitiveness in recent years, foreign trade has proved resilient, due to the high complexity and knowledge-intensity of Austrian exports <sup>(119)</sup>. 77% of Austrian firms either imported and/or exported goods and/or services (within the Single Market or beyond), according to the EIB Investment Survey, considerably above the EU average of 63% <sup>(120)</sup>. While Austria's export figures have been declining since the 2008/2009 financial crisis, albeit to a slightly more moderate extent than the EU average, the economy has continued to steadily integrate into global supply chains <sup>(121)</sup>.

**Nevertheless, Austria's services trade restrictiveness remains among the highest in the EU.** More than the EU average, the Austrian economy is dominated by the production of goods, with the services sector contributing a comparatively low share of value added. High growth knowledge-intensive services only account for a relatively small part of this sector <sup>(122)</sup>. While the overall regulatory framework provides favourable conditions for trade in services, restrictions remain in several policy areas. In terms of sectors, courier services are the most open sector in Austria, while engineering services are the most restricted when compared with other countries <sup>(123)</sup>.

**The OECD found that regulatory restrictiveness was higher in Austria than the EU average for regulated professions,** such as civil engineers, accountants, and real estate agents <sup>(124)</sup>. Access barriers and restrictive rules include extensive reserved activities and interdisciplinary restrictions <sup>(125)</sup>.

**Austria remains among the most restrictive Member States for retail operations.** Market entry, which is already difficult due to high investment costs and oversaturation is further hindered by stringent establishment rules <sup>(126)</sup>. In 2023, the Austrian Federal Competition Authority also pointed to high market concentration as well as higher prices compared to other countries, which could result from territorial supply constraints <sup>(127)</sup>.

---

<sup>(117)</sup>JKU/IAW, 2024, Die Größe der Schattenwirtschaft – Methodik und Berechnungen für das Jahr 2024.

<sup>(118)</sup>Federal Ministry of Labour and Economy, *Bilateral economic relations with Europe*, [Bma.gv.at](https://bma.gv.at).

<sup>(119)</sup>Austrian Productivity Board, 2024, *Productivity Report*, [Produktivitaetsrat.at](https://produktivitaetsrat.at).

<sup>(120)</sup>European Investment Bank, 2024, *EIB Investment Survey 2024*, [Eib.org](https://eib.org).

<sup>(121)</sup>Austrian Productivity Board, 2024, *Productivity Report*, [Produktivitaetsrat.at](https://produktivitaetsrat.at).

---

<sup>(122)</sup>Austrian Productivity Board, 2024, *Productivity Report*, [Produktivitaetsrat.at](https://produktivitaetsrat.at).

<sup>(123)</sup>OECD, 2024 *Services Trade Restrictiveness Index (STRI)*, [Oecd.org](https://oecd.org).

<sup>(124)</sup>OECD, 2024, *Product market regulation – country note Austria*, 2024, [Oecd.org](https://oecd.org).

<sup>(125)</sup>European Commission, 2021, *Communication on updating the reform recommendations for regulation in professional services*, COM(2021)385. 9/7/2021, [Eur-lex.europa.eu](https://eur-lex.europa.eu).

<sup>(126)</sup>European Commission, 2022, *Retail restrictiveness indicator (2022 update)*, [Ec.europa.eu](https://ec.europa.eu).

<sup>(127)</sup>Austrian Federal Competition Authority (AFCA), 2023, *Final report on sector Inquiry*, [Bwb.gv.at](https://bwb.gv.at).

**Other key Single Market indicators also show considerable room for improvement.**

Austria's transposition and conformity deficits of Single Market directives are clearly higher than the EU averages. The percentage of directives not transposed in a timely manner (transposition deficit) increased to 1.2%, which is above the EU average of 0.8% and takes Austria another step away from reaching the 0.5% target proposed in the Single Market Act. The conformity deficit (i.e. the percentage of all directives transposed incorrectly) also slightly increased to 1.5% in 2024 (EU average 0.9%). The number of infringement cases is also higher than the EU average (although their duration is a bit shorter). In addition, Austria has solved 79.8% of the SOLVIT EU rights resolution cases it handled as lead centre in 2024 (compared to an EU average of 84.9%) <sup>(128)</sup>.

## Public procurement

**On public procurement, Austria is an average performer overall.** The percentage of contracts awarded after just one bid was submitted was 28% in 2023. Furthermore, the rate of direct awards at 11% in 2024 surpassed the EU average, which constitutes an increase compared to 2023.

**To strategically leverage the approximately 18% of GDP that Austria spends annually on public procurements <sup>(129)</sup>, the country has become a frontrunner in terms of innovation procurement.** Austria has developed a competence centre (IÖB) that is integral to its research and innovation policy. The country supports innovation in public procurement through tools like a marketplace for challenges, a catalogue of criteria, training

programmes, and funding, alongside *ex post* evaluations of the competence centre's effectiveness. In addition, Austria aims to promote socially responsible public procurement, which is also anchored in the country's social partnership system <sup>(130)</sup>.

**To reduce the environmental impact of public procurement, the government published an action plan on green public procurement (GPP) in 2021.** It aims to offer the public sector the necessary support for sustainable procurement and strives to serve as a model for the responsible and careful use of resources to protect the environment and offer future generations a future worth living. In addition to objectives and measures, the plan contains a set of criteria for 16 procurement groups <sup>(131)</sup>.

<sup>(128)</sup> European Commission, *Single Market and Competitiveness Scoreboard*, [Ec.europa.eu](https://ec.europa.eu).

<sup>(129)</sup> Austrian Parliament, 2023, *Fachinfos- Fachdossiers, Nachhaltige öffentliche Beschaffung*, [Parlament.gv.at](https://parlament.gv.at).

<sup>(130)</sup> Federal Ministry of Justice, 2024, *Bericht der Republik Österreich gemäß den Richtlinien 2014/23/EU, 2014/24/EU und 2014/25/EU für den Zeitraum 2021 bis 2023*.

<sup>(131)</sup> Federal Ministry of Justice, 2021, *National Action Plan to promote sustainable public procurement*, [Bmj.gv.at](https://bmi.gv.at).

Table A4.1: **Making Business Easier: indicators.**

Austria							
POLICY AREA	INDICATOR NAME	2020	2021	2022	2023	2024	EU-27 average
Investment climate							
Shortages	Material shortage, firms facing constraints, % <sup>1</sup>	5.0	28.3	35.2	13.3	8.3	10.0
	Labour shortage, firms facing constraints, % <sup>1</sup>	7.0	14.5	21.3	18.0	11.2	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied) <sup>2</sup>	3.3	4.8	6.4	5.6	4.6	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle <sup>3</sup>	11.9	20.1	28.2	12.8	16.0	13.4
	VHCN coverage, % <sup>4</sup>	-	45.4	54.8	67.6	-	78.8
	FTTP coverage, % <sup>4</sup>	-	26.6	36.6	41.0	-	64.0
	5G coverage, % <sup>4</sup>	-	76.8	91.7	96.0	-	89.3
Reduction of regulatory and administrative barriers							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle <sup>3</sup>	29.2	35.4	26.1	30.2	46.8	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment <sup>5</sup>	14.0	11.7	13.6	16.6	13.7	15.6
	Payment gap - public sector, difference in days between offered and actual payment <sup>5</sup>	12.2	11.8	13.7	15.4	18.1	15.1
	Share of SMEs experiencing late payments, % <sup>6</sup>	30.4	30.4	32.3	42.1	-	-
	from public or private entities in the last 6 months	-	-	-	-	42.6	47.9
	from private entities in the previous or current quarter	-	-	-	-	16.9	16.6
Single Market							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP <sup>2</sup>	34.6	38.3	42.3	39.7	37.7	41.6
	EEA Services Trade Restrictiveness Index <sup>7</sup>	0.054	0.054	0.054	0.054	0.062	0.050
Compliance	Transposition deficit, % of all directives not transposed <sup>8</sup>	1.2	1.9	1.0	1.0	1.2	0.8
	Conformity deficit, % of all directives transposed incorrectly <sup>8</sup>	1.9	1.5	1.2	1.4	1.5	0.9
	SOLVIT, % resolution rate per country <sup>8</sup>	75.8	74.4	71.9	70.0	79.8	84.9
	Number of pending infringement proceedings <sup>8</sup>	35.0	29.0	27.0	24.0	26.0	24.4
Public procurement							
Competition and transparency in public procurement	Single bids, % of total contractors <sup>**8</sup>	22	25	29	28	36	-
	Direct awards, % <sup>**8</sup>	13	10	7	8	11	7.0

\*Change in methodology in 2024: reporting late payments from public and private entities separately.

\*\*The 2024 data on single bids is provisional and subject to revision. Please note that approximately 80% of the total data is currently missing, which may impact the accuracy and completeness of the information. Due to missing data, the EU average of direct awards data is calculated without Romania.

**Sources:** (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade Country reports, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).





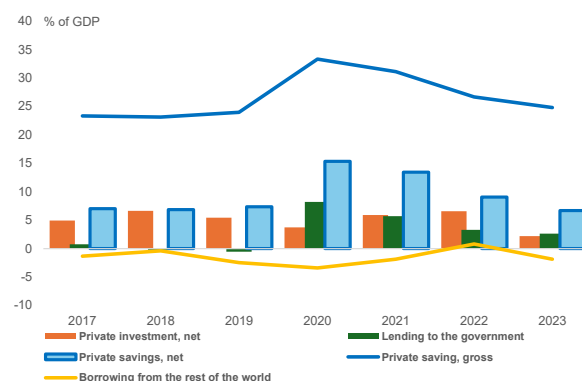
**The Austrian economy is supported by high domestic savings, significant net foreign assets, as well as resilient banking and non-banking financial sectors.** Austrian firms rely more on funding by banks and less on the capital markets, as compared with their European peers. The capital markets remain comparatively small in terms of capitalisation and volumes traded. Austrian households' savings are invested conservatively, as financial instruments form only a small part of their wealth. The investment portfolio of domestic institutional investors is focused on debt securities and investment fund shares. The local venture and growth capital market is not yet sufficiently developed to meet all the financing needs of innovative firms. At the same time, Austria has increasingly supported efforts to develop the Capital Markets Union (CMU) in the EU. Austria's recovery and resilience plan (RRP) also includes measures to support the financing of start-ups and improve financial literacy.

### Availability and use of domestic savings

**The Austrian economy invests the largest part of its net savings domestically.** From 2014 until 2023, the private savings ratio, net of fixed capital consumption, stood on average at 8.8% of GDP, reaching a maximum of 15.4% in 2020 (see Graph A5.1). The net private investment ratio, which denotes the net contribution of the private sector to capital accumulation in the economy, recorded an average of 4.7% of GDP during the reference ten-year period and reached 6.6% in 2022. At the same time, during the same period the government has been running budgetary deficits and a few relatively small surpluses, which during 2014-2023 on average amounted to a budgetary deficit of 2.4%. Regardless of the recurrent general government budgetary deficits, the sustained and high positive difference between net domestic savings and net investment, resulted in structural net

lending by Austria to foreign economies that averaged 1.7% of GDP, with a peak of 3.4% in 2020. Thus, most of the net savings in Austria have been invested domestically (to finance private investment or borrowing by the government), while a comparatively smaller share was used to finance projects abroad.

Graph A5.1: Net savings-investment balance

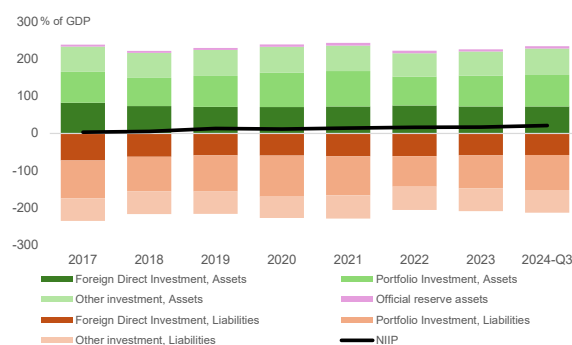


Source: AMECO.

**As a result of its regular position of a net creditor to the rest of the world, the Austrian economy has accumulated significant foreign assets and has been recording a positive net international investment position.** As of Q3 2024, total assets on foreigners reached 235% of GDP, while liabilities to foreigners stood at almost 214% of GDP, resulting in a net international investment position (NIIP) equivalent to 21.4% of GDP (see Graph A5.2). The accumulated net foreign direct investment (14.4% of GDP as of Q3 2024) accounted for most of the NIIP. The stock of official foreign reserve assets, which amounted to 6.7% of GDP, also contributed positively to the NIIP. The net portfolio investments, which are directly affected by the price volatility of equity valuations, have been negative, at almost -10% of GDP as of Q3 2024. However, they were more than offset by the net stock of other investments, which amounted to just below 10% of GDP at the same time. Thus, while the Austrian economy seems well integrated in international capital flows as a recipient of foreign capital, it remains a net capital exporter, notably in terms of direct investments abroad.



Graph A5.2: International investment position

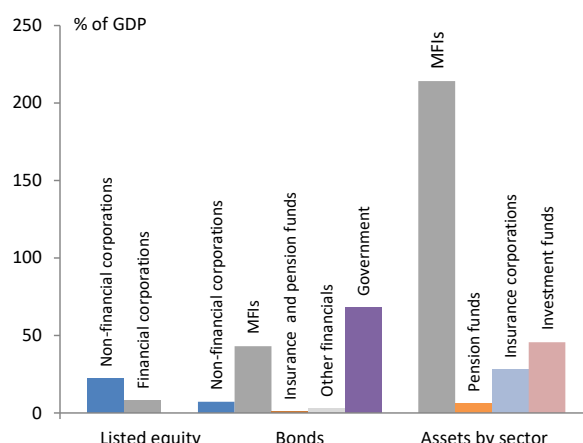


Source: ECB.

## Structure of the capital markets and size of the financial sector

**The Austrian economy stands out with one of the comparatively smaller domestic capital markets in Europe.** The market capitalisation of listed equity reached 30% of GDP at the end of 2023 (see Graph A5.3), which is well below the EU average of 67% of GDP. At the same time, non-financial corporations accounted for more than 70% of that capitalisation, which implies that the stock market in Austria is to a large extent geared towards funding the non-financial segment of the real economy. The outstanding volume of debt securities reached 122% of GDP at end-2023, which is slightly below the EU average. Bonds issued by the government and monetary financial institutions (MFIs) accounted for almost 56% and 35% of the total, respectively.

Graph A5.3: Capital markets and financial intermediaries



Source: ECB, EIOPA, AMECO.

**While the financial sector in Austria remains dominated by banks, non-bank financial intermediaries also play an important role.**

Starting from 253% of GDP in 2020, the size of the banking sector gradually declined to 214% of GDP in 2023, which remains somewhat below the EU average of 257%. Austria has several large credit institutions, and the two largest banking groups (Erste Group Bank and Raiffeisen Bank International) have extensive activities in central, eastern and south-eastern Europe. In particular, the exposure of the Austrian banking sector to Russia (manageable from a bank-capital perspective and concentrated in one credit institution) warrants close oversight. In 2024, Austrian banking subsidiaries in Russia amounted to less than 10% of their total assets in central, eastern and south-eastern Europe. Banking concentration appears to be lower than on average in the EU, with the top five MFIs representing less than 40% the sector. The insurance and pension funds sectors, with total assets of almost 28% of GDP and 6% of GDP at end-2023, play a lesser role in the non-bank intermediation. By contrast, investment funds, though their total assets dropped by 12 percentage points to almost 46% of GDP between 2021 and 2023, remain significant (see section on institutional investors).

## Resilience of the banking sector

**The Austrian banking sector is well-capitalised and exhibits good resilience to risks.** The system-wide capital ratio stood at 20.6% in Q3 2024, broadly in line with the EU average. In the same period, the Austrian banking sector reported a consolidated common equity tier 1 (CET1) ratio of 17.5%, more than double compared with levels recorded before the global financial crisis of 2008-2009, in line with tighter prudential requirements. While the capitalisation of Austrian banks has improved in recent years, the largest banks still have lower capital buffers than their euro area peers. Banking groups in Austria have issued securities eligible for the Minimum Requirement for own funds and Eligible Liabilities (MREL). Notably, in December 2023 with these issuances, the average MREL level (as % of TREA) of banks in Austria stood at 38.3%, up from last 37%. Against an average MREL binding target (including CBR) as of 1 January 2024 of 29.7% TREA (including CBR), all banks in Austria meet their final MREL targets <sup>(132)</sup>. In December 2023, Austria published information on its national bail-in mechanic in line with EBA guidelines <sup>(133)</sup>.

**Despite some deterioration, banks' balance sheets show robust asset quality.** With an aggregate non-performing loan (NPL) ratio of 2.3% in Q3 2024, which is slightly above the EU average of 1.9%, credit quality remains robust. Although the share of loans with variable interest rates has decreased steadily in recent years, roughly 50% of new mortgage loans to households are still granted with variable interest rates. In line with the increase in bankruptcies over the past three years, the

corporate NPL ratio increased to 3.9% in Q3 2024. The share of loans that have deteriorated significantly in credit quality (Stage 2) under the International Financial Reporting Standard (IFRS) 9 has remained broadly stable, but well above the EU average. At the same time, banks' aggregate coverage ratio of NPLs by existing provisions has declined to 45.9% but remains close to the EU average. The coverage ratio decreased on the back of new NPLs, for which provisions are still low, and the write-down of highly provisioned legacy NPLs.

**Austrian banks maintain very strong liquidity positions, with long-term debt issuance returning to pre-crisis levels.** Banks are exposed to a very low liquidity funding risk and show an excellent term adequacy between assets and liabilities. All credit institutions in Austria have liquidity coverage ratios well above the regulatory minima. Banks have benefitted from the increase in term deposits, and from the issuance of debt securities, while the monetary tightening by the ECB led to falling cash balances at central banks.

## Resilience of the non-bank financial intermediaries

**The Austrian insurance sector has remained resilient and profitable.** The operating environment of insurance companies has been shaped by elevated inflation, as well as higher interest rates and financial assets prices. These factors contributed to low economic growth and a reduction in real household income in 2023, which dampened insurance demand. Nevertheless, the profitability of Austrian insurance companies recovered compared to the previous year, across all insurance segments. Index clauses widely embedded in insurance contracts led to higher premium income and mitigated claim cost inflation. Moreover, financial market performance improved in 2023 y-o-y, which additionally supported profitability. Almost half of total premiums were generated abroad, with

<sup>(132)</sup>For additional information, see the European Banking Authority's [MREL Dashboard - Q4 2023](#).

<sup>(133)</sup>See the Financial Market Authority's [Information about the implementation of an external bail-in](#) and the European Banking Authority's [Guidelines to resolution authorities on the publication of their approach to implementing the bail-in tool](#).

Czechia, Poland, Slovakia, Romania and Hungary among the key markets. Compared to EU peers, Austrian insurance companies maintain a relatively high level of capitalisation, with average solvency capital requirement (SCR) of almost 312%, above the EU average, resulting from particularly high ratios in the non-life segment. However, downside risks remain, given the high uncertainty in the macro-financial environment. On a positive note, Austria is among the EU Member States with relatively limited insurance protection gaps for natural hazards <sup>(134)</sup>.

## Sources of business funding and the role of banks

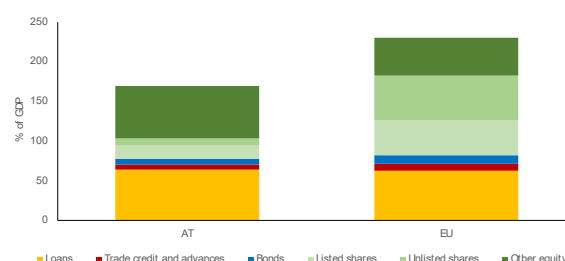
**Overall, firms in Austria rely more on funding by banks and less on the capital markets, as compared with their European peers.** More specifically, at the end of 2023, bank finance through loans constituted 37.8% of all funding sources for Austrian non-financial corporations (NFCs), while listed shares and bonds accounted for only 14.6% of funding sources. This compares with 27.2% and 23.8% on average in the EU. Expressed as a percentage of GDP, the overall level of NFC funding was 169.3% in Austria and, on average, 230.3% in the EU (see Graph A5.4).

**Austrian companies rely mostly on internal financing, as do their European peers.** According to the 2024 EIB Investment Survey, 68% of investments needs of Austrian firms are covered by internal funding, just above the EU average of 66%. At the same time, only 12% of Austrian firms believed that their investment activities over the last three years were less than needed, better than the EU average for perceived underinvestment (14%), suggesting that there is only a small financing gap relative to investment demand. However, this may not

be the case for firms with no or limited capacity for internal funding, such as small and medium-sized enterprises (SMEs) or innovative start-ups.

**The banking sector plays an important role in financing the economy.** The banking sector in Austria is predominantly domestic-owned and with a relatively low concentration, with several large banking groups having international presence in central, eastern and south-eastern Europe. The sector remains resilient, with good liquidity and capital positions, as well as solid profitability, close to EU average levels (see Table A5.1). As a result, NFCs overall will not face serious challenges in accessing bank loans in the near term. However, the number of defaults of real estate companies has increased, as have non-performing commercial real estate (CRE) loans on banks' balance sheets. CRE loans' coverage ratios have decreased, while the market values of real estate collateral have also been under pressure.

Graph A5.4: **Composition of NFC funding as a % of GDP**



The sum of NFC liabilities only reflects the total for the NFC liabilities considered. Reference period 2023.

**Source:** Eurostat.

**Despite the gradual decline in interest rates, corporate lending growth has been slowing down.** For households, the annual credit growth rate for adjusted loans has started to bottom out, from -1.9% at the end of 2023 to -1.2% in the third quarter of 2024. In particular, the housing loan component has seen a moderate recovery in demand since the first quarter of 2024, starting from a historic low after sharp declines in the previous 18 months. The moderate rebound is due to improvements

<sup>(134)</sup> See EIOPA's Dashboard on the insurance-protection gap for natural catastrophes.

in affordability, driven by rising real incomes and slightly falling financing costs. For NFCs, annual credit growth reached 1.0% in the third quarter of 2024, down from 2.7% in 2023. Demand for corporate loans has been falling since 2022, with a persistent weakness particularly in the demand for long-term loans to finance investments. Both the weak demand and the more restrictive credit supply reflect the challenging economic environment, as the economic slowdown and rising costs have been putting companies under pressure. Estimated insolvency liabilities have increased substantially in the course of 2024, in particular affecting the retail, real estate, construction and hospitality sectors. Moreover, the Bank Lending Survey <sup>(135)</sup> showed that the downward trend in demand for corporate loans continued in Q3 2024, albeit at a very moderate pace. The rejection rate in corporate lending has risen steadily since 2022, especially for loan applications from SMEs.

## Retail investors in capital markets

**Austria's capital markets remain comparatively small.** The main stock exchange in Austria is the Vienna Stock Exchange. The equity market is relatively small in terms of capitalisation (equivalent to 30% of GDP vs an EU average of around 68% as of end-2023) and volumes traded. The low market capitalisation could be due to the characteristics of the Austrian corporate sector, in particular the small number of large globally operating multinational companies (with annual revenues above EUR 1 billion). The domestic bond market is dominated by Austrian government bonds, while bonds issued by NFCs represent a smaller share. The use of equity by SMEs is relatively moderate, as 8.2% of SMEs indicated in the 2023 SAFE survey that equity was relevant for them,

compared to an EU average of 10.1% <sup>(136)</sup>. Initial public offerings (IPOs) remain rather limited and small, given the size of the economy. While there are relatively fewer large companies in Austria compared to the EU average, the corporate sector tends to be rather capital intensive and would benefit from a deeper and well-functioning CMU.

**Austria has increasingly supported efforts to develop the CMU in the EU.** At a meeting in May 2024, the finance ministers of Austria, Croatia and Slovenia issued a joint statement calling for further progress on CMU <sup>(137)</sup>. The statement identified a number of common CMU priorities, including: (i) the need to consider the priorities of all Member States; (ii) debating centralised supervision at a later stage; (iii) a pragmatic approach to the securitisation framework; (iv) harmonising the requirements for companies to be listed on exchanges; (v) eliminating national barriers for institutional investors; (vi) making tax systems more supportive of investments in capital markets; and (vii) expanding financial literacy and market participation among the EU population.

**Austrian households' savings are invested conservatively, as financial instruments form only a small part of their wealth.** Main residence ownership represents the most important asset in terms of volume for homeowners. On average, Austrian households have financial portfolio profiles with very low risk. Few households hold assets that are typically classified as higher-yield. According to the latest Eurosystem Household Finance and Consumption Survey <sup>(138)</sup>, only 12.3% of households in Austria hold mutual funds, only

<sup>(136)</sup> See Data and surveys - SAFE - European Commission, 2023, Results by country.

<sup>(137)</sup> [Common Statement by the Finance Ministers from Slovenia, Croatia and Austria - Unlocking the EU's productivity: a finance ministers' perspective from finance ministers](#), 28 May 2024.

<sup>(138)</sup> [OeNB Report 2023/2: Eurosystem Household Finance and Consumption Survey 2021: first results for Austria](#)

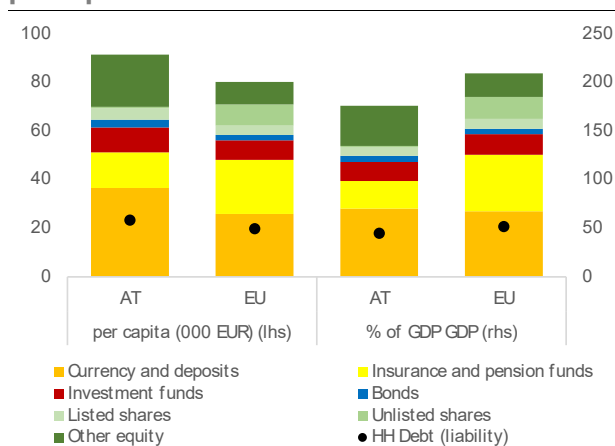
<sup>(135)</sup> See OeNB Report 2024/18: Bank Lending Survey – Recession curbs loan demand.

6.1% hold stocks and only 2.5% hold bonds. Among the households that held higher-yield assets, these assets accounted for about 40% of the financial portfolio, with this share rather stable across the net wealth distribution.

**The degree of direct retail investment in Austria's capital markets is low.** Since 2015, the share of cash and deposits in households' assets has been on an upward path and reached 40% in 2023, well above the EU average of 32.3% (see Graph A5.5). The assets in investment funds continue to grow and represent around 11% of households' financial assets. The share of assets held in pension and investment funds or directly in financial investment instruments in total financial assets has declined from 40.2% in 2015 to 35.8% in 2023 and still falls substantially short of the EU average of 45.4%.

**The comparatively strong saving rate of Austrian households in recent years and the high share of cash and deposits in households' assets suggest there is some room to increase the level of direct or indirect retail investments.** Encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pension benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation. Moreover, an in-depth assessment of the incentives in place to promote retail participation in financial markets may also be considered, as well as possible steps to increase the availability of low-cost, well-diversified investment products suited to retail investors.

Graph A5.5: **Composition of HH financial assets per capita and as a % of GDP**



The sum of HH assets only reflects the total for the HH assets considered. Reference period 2023.

**Source:** Eurostat.

## The role of domestic institutional investors

**The growing fund management industry in Austria tends to invest less in bonds and equity than its European peers.** Austrian investment-fund industry assets grew by around 7% in 2023 and continued to grow at the same rate in the first nine months of 2024. In Q3 2024, out of the assets invested in domestic and foreign investment funds offered in Austria, 38.3% were allocated to debt securities, 31.8% to investment fund units and 22.8% to shares and other equity<sup>(139)</sup>. In 2024, Austrian asset managers allocated about 61% of assets to equity and bond holdings, a somewhat lower share than the euro area average.

**The investment portfolio of Austrian domestic institutional investors is focused on debt securities and investment fund shares.** The insurance sector in Austria, which is comparatively small by EU standards (in Austria assets were equivalent to 27.1% of GDP compared with an EU average of 53.4%), mainly

<sup>(139)</sup> See [Assets and liabilities of investment funds | ECB Data Portal](#).



invests in debt securities, at 30.1% of total assets as of Q3-2024 (compared to 34.6% for the euro area as a whole) <sup>(140)</sup>, with another 27.6% held in investment fund shares and 21.5% in equity. The combined share of assets connected to domestic banks and the Austrian government has steadily decreased over the years and has almost halved since 2016. The domestic pension fund industry, whose assets were equivalent to around 6% of GDP at end-2023, mainly invests in collective investment undertakings (notably equity and debt funds). Bank deposits are the second largest investment asset of pension funds, while corporate and government bonds play an even lesser role in their asset structure <sup>(141)</sup>.

## The depth of available venture and growth capital

### **The local venture and growth capital market is not yet sufficiently developed to meet all the financing needs of innovative firms.**

Currently the number of start-ups (e.g. in Vienna) remains high, due to the favourable social environment and government support, e.g. from Austria Wirtschaftsservice and the Austrian Research Promotion Agency. Despite an overall favourable situation, Austria's support for business financing can be improved. A key barrier hindering firms' innovation performance is the shortage of venture and growth capital, including angel funding and formal venture capital. The average value of annual private equity investment relative to nominal GDP went up to 0.2% in the period 2021-2023 from 0.15% in 2015-2020, but it is still well below the equivalent EU average (0.6%). For venture capital, investments increased to 0.08% of GDP

in 2021-2023, in line with Austria's EU peers <sup>(142)</sup>.

### **Limited venture capital financing is partly driven by the low participation of institutional investors, including pension funds.**

A 2024 paper showed that pension funds in Austria accounted on average for only 1% of private equity and venture capital funds raised annually over 2007-2023, a figure that falls substantially below the 19% in the Baltic states or the shares above 20% in Sweden, Finland and Denmark <sup>(143)</sup>.

### **Austria has taken measures to address the small market for pre-IPO financing, due to the limited availability of domestic venture capital and private equity funds.**

In June 2023, a new state-financed venture capital fund (Gründungsfonds II: Startup Fund) was set up for at least 10 years. The fund provides state funding up to EUR 72 million for investments in young, innovative, Austria-based companies in the start-up and growth phase and is intended to leverage private investments of up to EUR 500 million. However, this funding remains relatively small in scale, compared to that in other EU Member States.

### **Austria's RRP also includes measures to support the financing of start-ups.**

Reform measures included the adoption of a new company form for investments in company holdings in the form of the *SICAV (société d'investissement à capital variable)*, a collective investment scheme that is already well established in other EU countries. The scheme is intended to make fund shares securitisable and tradable, while also taking into account high transparency standards, investor protection, money laundering prevention and the exclusion of tax structuring models. As an additional measure, the start-up package in

<sup>(140)</sup> Source: [Assets and liabilities of insurances | ECB Data Portal](#).

<sup>(141)</sup> Source: [Occupational pensions statistics - EIOPA](#).

<sup>(142)</sup> [Commission staff working document: Monitoring progress towards a capital markets union: a toolkit of indicators - 2024](#).

<sup>(143)</sup> Source: [Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS](#).

Austria's RRP aims to provide sustainable support to growth-oriented start-ups and to increase the attractiveness of the business location internationally. The reform measures also introduce a new legal form, tailored to the needs of start-ups and innovative SMEs.

## Financing the green transition

**Supervisory guidance has increasingly contributed to the development of sustainable finance. In recent years,** the Austrian financial supervisory authorities (e.g. the Austrian National Bank and the Financial Market Authority (FMA)) have introduced environmental, social, and governance (ESG) criteria into their activities. The FMA has published a guide for managing sustainability risks, raising awareness among financial market participants, and providing guidance and examples of best practice on ESG risks. The FMA has also conducted climate stress tests in the insurance and pension sectors and found that, while investment portfolios are not fully compliant with climate goals, they are outperforming international benchmarks. The FMA has also analysed the position of asset managers (i.e. corporate provision funds, alternative investment fund managers and investment fund management companies) to assess whether they are taking account of sustainability aspects in their investment management activities and incorporating sustainability risks into their asset and risk management systems.

**The interest in sustainable financial products and services on the Austrian market has increased in recent years.** For example, investment funds certified with the Austrian Ecolabel for sustainable financial products (UZ49) are a fast-growing market segment. Banks have increased the issuance of sustainable bonds in line with Austrian and EU standards. To provide an impetus to the development of the green bonds market and the funding of environmental projects, in May

2022, the Austrian government launched its first green bond issuance. In addition to longer-term green bonds, which will fund a substantial part of the country's green financing needs, Austria also included short-term debt instruments like treasury bills and commercial papers in its green debt programme. With the issuance of a green euro medium-term note in December 2023, Austria has already issued all the sustainable finance instruments available under the 2022 green framework.

## Financial literacy

**Financial literacy in Austria is overall slightly above the EU average, but some challenges remain.** Financial literacy is instrumental in promoting retail-investor participation in capital markets but also in introducing SMEs and the self-employed to alternatives to bank financing. Digitalisation is affecting the way retail financial markets operate, while the rapidly ageing population in Austria and increasingly precarious earnings amplify the need for retail-investor participation. Recent surveys<sup>(144)</sup> show that 28% of Austrians have a high level of financial literacy, 50% a medium level, and the remaining 22% a low level, compared to the EU average of 26% for high literacy, 50% for medium, and 24% for low. Austria's results are above the EU average for the use of digital financial services, trust in the investment advice received and retirement planning.

**Recent policies aim to improve financial literacy.** The national financial literacy strategy for Austria was launched<sup>(145)</sup> in autumn 2021 and was included in Austria's RRP. Its four main policy priorities aim to: (i) develop sound financial decision-making early in life and

<sup>(144)</sup> [Monitoring the level of financial literacy in the EU - July 2023 - Eurobarometer survey](#)

<sup>(145)</sup> See [A national financial literacy strategy for Austria](#).

Table A5.1: Financial indicators

	2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU
<b>M</b> Total assets of MFIs (% of GDP)	220.7	219.1	220.4	253.4	246.2	227.0	214.1	208.4	248.4
Common Equity Tier 1 ratio	15.6	15.4	15.6	16.1	16.0	16.5	17.6	17.5	16.6
Total capital adequacy ratio	18.9	18.6	18.7	19.5	19.3	19.4	20.6	20.6	20.1
Overall NPL ratio (% of all loans)	3.5	2.6	2.2	2.0	1.8	1.8	2.2	2.3	1.9
NPL (% loans to NFC-Non financial corporations)	5.4	3.6	3.1	3.1	2.9	2.8	3.6	3.9	3.5
NPL (% loans to HH-Households)	3.8	3.3	2.8	2.6	2.3	2.1	2.3	2.3	2.2
NPL-Non performing loans coverage ratio	48.8	53.2	52.5	53.4	53.9	53.1	48.7	45.9	42.1
Return on Equity <sup>1</sup>	8.7	8.6	7.8	4.1	6.4	9.7	11.6	12.3	10.0
Loans to NFCs (% of GDP)	39.1	39.9	41.2	44.6	45.4	44.8	43.4	42.5	30.0
Loans to HHs (% of GDP)	42.6	42.3	42.7	45.9	45.3	42.6	39.5	37.9	44.5
NFC credit annual % growth	5.5	7.1	6.1	4.9	8.4	9.0	2.7	1.0	0.8
HH credit annual % growth	3.2	3.6	4.3	3.6	5.0	3.5	-1.9	-1.2	0.7
<b>Z</b> Stock market capitalisation (% of GDP)	36.9	29.6	31.9	31.9	39.7	29.0	30.3	29.2	69.3
Initial public offerings (% of GDP)	0.00	0.00	0.07	0.00	0.00	0.00	0.00	-	0.05
Market funding ratio	35.1	34.0	32.8	34.4	32.3	29.5	29.0	-	49.6
Private equity (% of GDP)	0.12	0.28	0.08	0.07	0.22	0.14	0.35	-	0.41
Venture capital (% of GDP)	0.03	0.02	0.02	0.02	0.17	0.04	0.02	-	0.05
Financial literacy (composite)	-	-	-	-	-	-	47.5	-	45.5
Bonds (as % of HH financial assets)	4.9	4.5	4.1	3.5	2.9	2.7	3.5	-	2.7
Listed shares (as % of HH financial assets)	3.9	3.4	3.9	4.1	5.0	4.7	5.2	-	4.8
Investment funds (as % of HH financial assets)	9.3	8.7	9.6	9.6	10.8	10.5	11.2	-	10.0
Insurance/pension funds (as % of HH financial assets)	20.2	19.9	20.5	19.5	18.1	16.0	16.0	-	27.8
Total assets of all insurers (% of GDP)	37.5	34.8	35.0	37.1	35.8	28.5	27.9	27.6	54.8
Pension funds assets (% of GDP)	-	-	6.2	6.7	6.7	5.6	5.6	5.8	23.4
01-Mar 04-Oct Nov-17 18-24 25-27 Colours indicate performance ranking among 27 EU Member States.									

(1) Annualised data.

Credit growth and pension funds EU data refers to the EA average.

Source: ECB, ESTAT, EIOPA, [DG FISMA CMU Dashboard](#), AMECO.

prevent over-indebtedness; (ii) promote responsible financial planning for long-term financial well-being; (iii) raise awareness of the importance of financial literacy and ensure access to quality financial education for all; and (iv) increase the effectiveness of financial literacy initiatives through dialogue, coordination and evaluation. Over the implementation period 2021-2026, these priorities are complemented by initiatives supporting gender equality, providing people living in Austria with the knowledge and skills required to profit from the digitalisation of retail financial services, and helping consumers to make sustainable financial choices.

**The strategy also includes two competence frameworks that set common goals and a long-term vision for better financial education in Austria**, on which stakeholders from the financial education sector can base their own programmes and measures. In particular, this targets basic financial education in schools and for young people, as well as adults. The launch of the financial literacy online platform "Finanznavi" in autumn 2024

provided a comprehensive and free of charge information and learning site, to improve financial literacy and offer guidance on important financial issues grouped around different life-stages.



**Austria's institutional framework influences its competitiveness.** Austria has a relatively good regulatory governance framework, and is making efforts to simplify legislation and improve policy coherence. However, gaps remain in reducing the administrative burden and stakeholder engagement for draft regulations. Austria has made progress on digitalisation, with improved public services online and a focus on digital transformation and smart government. Additionally, the government has introduced reforms in the civil service to increase the attractiveness of the public sector and has strengthened the legislative framework related to corruption. The justice system continues to operate efficiently.

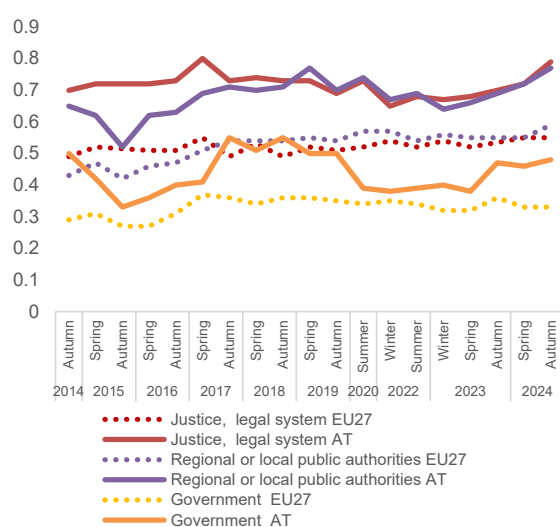
public funds <sup>(146)</sup>. The perceived level of quality of government has remained mostly stable <sup>(147)</sup>.

## Quality of legislation and regulatory simplification

**Austria's overall performance in developing and evaluating legislation is slightly above the EU average.** Performance is stronger for ex-ante impact assessments and ex post evaluation of legislation than for stakeholder engagement, which remains underdeveloped. There is room for strengthening the transparency, oversight and quality of public consultations of primary and secondary legislation. Public consultations of secondary regulations would also benefit from stronger requirements regarding their methodology and systematic adoption. Recent policy measures have aimed to increase participatory policymaking processes, with the publication of a practical guide for policymakers on organising participatory processes in the digital age. Austria is also working to improve policy coherence and improve performance budgeting <sup>(148)</sup>.

## Public perceptions

Graph A6.1: Trust in justice, regional / local authorities and in government



(1) EU-27 from 2019; EU-28 before

Source: Standard Eurobarometer surveys

**Trust in Austria's public institutions continues to be above the EU average.** Trust in justice institutions and in subnational governments follow very similar trends and remain high, while trust in central government is lower (Graph A6.1). Aspects that could help increase trust are less bureaucracy and more transparency in decision-making and use of

<sup>(146)</sup> [Understanding Europeans' views on reform needs - April 2023 - - Eurobarometer survey](#), Country Fact Sheet.

<sup>(147)</sup> [Inforegio - European Quality of Government Index](#)

<sup>(148)</sup> [Bundeskazleramt \(n.d.\), 'Umsetzung der Agenda 2030'](#)

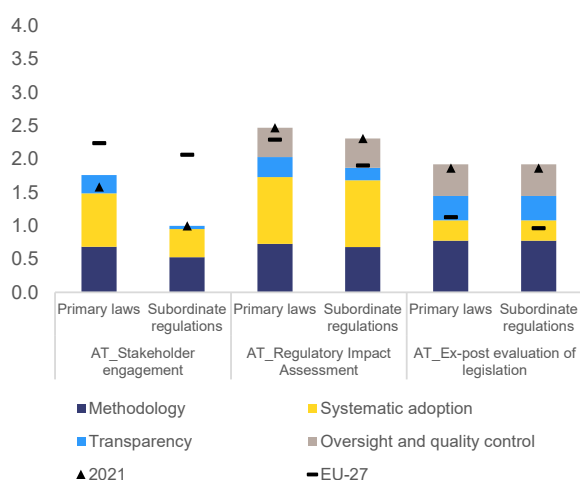
Table A6.1: **Austria. Selected indicators on administrative burden reduction and simplification**

Ex ante impact assessment of legislation		Ex post evaluation of legislation	
When developing new legislation, regulators are required to ...	Identify and assess the impacts of the baseline or 'do nothing' option.	Is required to consider the consistency of regulations and address areas of duplication.	●
	Identify and assess the impacts of alternative non-regulatory options.	Is required to contain an assessment of administrative burdens.	○
	Quantify administrative burdens of new regulations.	Is required to contain an assessment of substantive compliance costs.	●
	Quantify substantial costs of compliance of new regulations.	Compares the impact of the existing regulation to alternative options.	○
	Assess macroeconomic costs of new regulations.	Periodic ex post evaluation of existing regulations is mandatory.	○
	Assess the level of compliance.	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	○
	Identify and assess potential enforcement mechanisms.	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	○
		In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	○
● Yes / For all primary laws		◐ For major primary laws	◑ For some primary laws
		○ No / Never	

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation. **Source:** OECD (2025), Regulatory Policy Outlook 2025 [<https://doi.org/10.1787/56b60e39-en>] and Better Regulation across the European Union 2025 (forthcoming).

**Source:**

Graph A6.2: **Indicators of Regulatory Policy and Governance (iREG)**



**Source:** OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025 (forthcoming).

**There are some gaps in measures to reduce administrative burden.** For example, ex post evaluations of primary legislation are not required to consider the consistency of regulations and address areas of duplication. Moreover, the government has not conducted

recently in-depth reviews of specific regulatory areas and public stocktakes of legislation (see table A6.1).

## Social dialogue

**Social partners generally play a crucial role in Austria in shaping economic and social policies.** Social dialogue is institutionally recognised and part of policymaking in Austria through tripartite dialogue with and bipartite negotiation between employers and employees and is generally focused on consensus and compromise. Social partners in Austria include public corporations with compulsory membership, such as the Chamber of Commerce and the Chamber of Labour, as well as independent associations with voluntary membership. Social partners also play a key role in negotiating collective agreements that

define the rights and obligations of employers and employees <sup>(149)</sup>.

## Efficiency of selected administrative procedures

**Selected administrative procedures have improved, but some challenges remain.** A report monitoring the implementation of the Commission Recommendation and Guidance on speeding up permit-granting procedures for renewable energy and related infrastructure projects <sup>(150)</sup> shows that there is clearly scope for further aligning national practices with the guidance for faster and shorter procedures for licensing renewable energy projects. A reform of the Environmental Impact Assessment (EIA) Act in 2023 aims to facilitate regulatory approval of green projects. The reform aims to simplify and streamline the EIA process, improve its structure, and adjust the Federal Administrative Court procedures. While the OECD product market regulation indicator shows that that Austria's licensing system is less burdensome than the EU average, there is still some room for further alignment with best practices. For example, the government does not keep an up-to-date online inventory of all the permits and licences required/issued to businesses by public bodies (see also Annex 4).

## Digital public services

**Austria has made steady progress in the provision of digital public services,** contributing positively to the EU's Digital Decade targets (Table A6.2). The country performs around the EU average in digital public services for citizens, with a score of 80.7 out of 100 (EU average: 79.4). However, in digital public services for businesses, Austria has untapped potential, scoring 82.9, slightly below the EU average of 85.4. Austria stands out for the mobile friendliness of its digital public services, ranking among the best in the EU with a score of 99.7 (EU average: 95.3).

**Austria has a well-developed e-health system.** The country scored 88 out of 100 in e-health system maturity in 2023, well above the EU average of 79, though its score has remained stable since 2022. Nationwide access to e-health services is ensured, with 80% to 100%<sup>(151)</sup> of the population technically able to access online health records using an e-ID compliant with the eIDAS Regulation. Given its current strong performance, Austria is well-positioned to aim for full e-health maturity by 2030.

<sup>(149)</sup> For an analysis of the involvement of Austria's social partners at national level in the European Semester and the Recovery and Resilience Facility, see Eurofound (2025), [National-level social governance of the European Semester and the Recovery and Resilience Facility](#).

<sup>(150)</sup> European Commission: Directorate-General for Energy, *Monitoring the implementation of the Commission recommendation and guidance on speeding up permit-granting procedures for renewable energy and related infrastructure projects – Final report*, Publications Office of the European Union, 2025, [link](#)

<sup>(151)</sup> European Commission. [Digital Decade 2024: Country reports](#)

Table A6.2: **Key Digital Decade targets monitored through the Digital Economy and Society Index**

		Austria			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
<b>Digitalisation of public services</b>						
1	<b>Digital public services for citizens</b> Score (0 to 100)	76 2021	78 2022	81 2023	79 2023	100 2030
2	<b>Digital public services for businesses</b> Score (0 to 100)	81 2021	83 2022	83 2023	85 2023	100 2030
3	<b>Access to e-health records</b> Score (0 to 100)	na 2021	88 2022	88 2023	79 2023	100 2030

Source: State of the Digital Decade report 2024

**The uptake of e-Government services in Austria is relatively high.** 79% of internet users interact with public administration online, exceeding the EU average of 75%. However, further development of digital public services could encourage even greater adoption by businesses and citizens.

**Austria has already met the Digital Decade's 2030 target for e-ID adoption**, as all citizens have access to a secure digital identity notified under eIDAS<sup>(152)</sup>. However, the uptake of e-ID remains limited. Austria is preparing for the rollout of the European Digital Identity Wallet (EUDI Wallet), which could help increase adoption and facilitate secure identity transactions across the EU. A comprehensive programme to enhance digital skills across the population, the Digital Skills Initiative (DKO), is expected to further increase the uptake of digital services.

**Austria is now closer to being ready for seamless, automated exchange of authentic documents and data across the EU.** It has completed its first transactions using the Once-Only Technical System, part of the EU Single Digital Gateway, and is ready to roll out services for citizens and business <sup>(153)</sup>.

<sup>(152)</sup>European Commission, [eIDAS Dashboard](#).

<sup>(153)</sup>European Commission, [Once-Only Technical System Acceleratormeter](#).

**Austria also stepped-up efforts relating to artificial intelligence (AI).** It set up an AI Service Centre and an Advisory Board for Artificial Intelligence to guide policymakers on AI-related technical, social and ethical issues. In 2024, the government also released the Practical Guide 2.0 for 'Digital Administration: AI, Ethics, and Law', addressing technological trends such as generative AI and Quantum AI, regulatory frameworks like the European AI Act, and serving as a dynamic resource for technological advancements.

## Civil service

**In 2024, a key reform was the Civil Service Amendment, which introduced mandatory management training for senior civil servants.** The Amendment also introduced changes inspired by GRECO (Group of States Against Corruption of the Council of Europe) recommendations, such as changes on post-public employment in the private sector and the adoption of an OECD-aligned definition of conflicts of interest <sup>(154)</sup>.

**The Austrian School of Government (ASG) is now officially operational<sup>(155)</sup>,** tasked with

<sup>(154)</sup>Parlament Österreich, 'Dienstrechts-Novelle 2024', [link](#).

<sup>(155)</sup>Austrian School of Government, (2024), 'Executive Management-Programm für die Öffentliche Verwaltung 2024/25', [link](#)

ensuring that training curricula better match civil service skills requirements.. The School also developed an executive management programme for experienced public sector leaders. The programme will be a key role in mandatory training for senior civil servants.

**45% of civil servants will retire in the next 13 years<sup>(156)</sup>**, even though the share of public sector staff over 55 years is below the EU-27 average. In response, the government is decreasing early retirement options, offering incentives for late retirement and taking measures to increase the attractiveness of the public sector as an employer.

**A staff survey in all federal government departments revealed a high level of satisfaction among civil servants with their tasks and the work environment.** However, challenges were identified in relation to workflow, error management, knowledge-sharing, career development and training opportunities.

## Integrity

**The proportion of businesses in Austria perceiving corruption as a problem is below the EU average, despite concerns about political influence in high-level cases.** In Austria, 55% of companies consider that corruption is widespread (EU average 64%) and only 24% consider that corruption is a problem when doing business (EU average 36%) <sup>(157)</sup>. Moreover, 47% of companies believe that people and businesses caught for bribing a senior official are appropriately punished (EU average 31%) <sup>(158)</sup>. In September 2023, with the Corruption Criminal Law Amendment Act 2023

<sup>(156)</sup>Eurostat. Data to be updated and reference added in end April.

<sup>(157)</sup>Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

<sup>(158)</sup>Ibid.

Austria introduced, among others, the new criminal offence 'purchase of a political mandates' <sup>(159)</sup>. Penalties for corruption offences were also raised and a conviction for corruption offences can now result in the loss of eligibility for office under fewer conditions than for other offences <sup>(160)</sup>. Investigations of high-level corruption cases, also those related to previous governments, are proceeding. The findings of an independent committee, set up by the Ministry of Justice to investigate allegations of political influence in criminal cases, further underlined the need to strengthen the independence of the prosecution service through a reform, including to ensure the independent operation of the specialised anti-corruption prosecutions <sup>(161)</sup>.

**Public procurement is seen as an area at high risk of corruption in Austria <sup>(162)</sup>**. 20% of companies (EU average 27%) think that corruption has prevented them from winning a public tender or a public procurement contract in practice in the last three years <sup>(163)</sup>. In 2023, the Austrian Court of Audit undertook an audit on public procurement and recommended the federal level to procure more via a central purchasing body . Close relations between media and politics also appear to be sectors at high-risk of corruption <sup>(164)</sup>.

**Austria has a public register for lobbyists, just like most Member States, but it has limited coverage.** The lobbying framework adopted in 2013 is limited in scope and lacks

<sup>(159)</sup>This offence covers offering, promising or providing (active side) as well as demanding, accepting, or accepting the promise of (passive side) a fee for exerting influence over the allocation of a political mandate.

<sup>(160)</sup> See the 2024 country-specific chapter for Austria of the Rule of Law Report, p. 13.

<sup>(161)</sup>See the 2024 country-specific chapter for Austria of the Rule of Law Report, pp. 5-7.

<sup>(162)</sup> Ibid., pp. 20-21.

<sup>(163)</sup>Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

<sup>(164)</sup> See the 2024 country-specific chapter for Austria of the Rule of Law Report, pp. 20-21.

appropriate sanctions and control mechanisms<sup>(165)</sup>. The strengthening of the lobbying framework would help increase transparency and ensure a level-playing field between companies.

## Justice

**The justice system continues to operate efficiently overall.** The disposition time in civil and commercial cases is very short (141 days in 2023). The disposition time in administrative cases has increased (313 days in 2023, up from 285 days in 2022) and while the clearance rate was 100% in 2023, it is lower than in previous years (112% in 2020). The quality of the justice system remains high overall. This includes its digitalisation, such as the possibility to use secure remote working systems for judges, prosecutors and staff. As regards judicial independence, no systemic deficiencies have been reported<sup>(166)</sup>.

---

<sup>(165)</sup>Ibid., pp. 17-18.

<sup>(166)</sup> For more detailed analysis of the performance of the justice system in Austria, see the upcoming 2025 EU Justice Scoreboard) and 2024 Rule of Law Report.



### **Austria faces significant challenges regarding its clean industry transition and climate mitigation.**

Despite its strong position in green innovation and exports, its net-zero technologies manufacturing lacks dedicated strategies, and permitting is lengthy and complex. Austria relies heavily on imports of critical raw materials in some key sectors. By reinforcing its positive trend on circularity, Austria could reduce this dependence and improve its resource productivity, also in the context of shifting toward battery-electric vehicles. Industry decarbonisation policies need strengthening due to Austria's high greenhouse gas emissions intensity and reliance on energy-intensive sectors facing competitive pressures. Although being a frontrunner in recycling, Austria is also in the lead for waste generation. This annex reviews the areas in need of urgent attention in Austria's clean industry transition and climate mitigation, looking at different dimensions.

### Strategic autonomy and technology for the green transition

#### **Net zero industry**

**Despite challenges, Austria remains a major supplier of PV and has potential for further development in wind technologies** <sup>(167)</sup>. Its manufacturing capacity amounts to between 400 and 800 MW/y (2-4% of EU capacity) for solar components, most specifically inverters, for which Austria is a competitive exporter. However, the share of Austrian-manufactured modules in residential PV systems fell from 14% (2021) to 2.4% (2023) despite a growing domestic market. To keep its edge, in June and July 2024, a "Made-in-Europe" bonus was

introduced in the form of a 20% top-up for investment support for new photovoltaic projects. Regarding wind, at least three facilities producing turbine components were identified, with production amounting to EUR 3 billion (3% of total EU production). Austria creates between 800 and 850 MWh/y worth of production in battery and storage technologies, a negligible share of total EU capacity.

### **Austria's clean tech manufacturing capacity is supported by only few relevant policy frameworks and investment streams.**

The environmental technologies masterplan (Masterplan Umwelttechnologie) identifies areas where support is needed for environmental policies between 2019 and 2030 <sup>(168)</sup>. Several of them have an impact on manufacturing, even though an explicit objective on this has not been defined.

Additionally, there are plans to brand Austrian products for export, to support local manufacturing and increase the attractiveness of environmental professions. Besides these cross-technology frameworks, net zero technologies are not covered by dedicated strategies or legislation, which would allow for faster permitting procedures or specific sandboxes. Currently, permitting for projects requiring an environmental impact assessment usually requires 22 to 23 months when counted from the application (or 10-11 months following the acknowledgement of the project developers' information as complete) <sup>(169)</sup>. Limited digitalisation of the industrial permit granting process may have a negative impact on the duration. Austria's federal structure can also add to the complexity.

<sup>(168)</sup> Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology, 2019, *Masterplan Umwelttechnologie*, [Bmk.gv.at](https://www.bmk.gv.at).

<sup>(169)</sup> Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology, 2024, UVP-Bericht an den Nationalrat, [Bmimi.gv.at](https://www.bmimi.gv.at).

<sup>(167)</sup> European Commission, 2025, *The net-zero manufacturing industry landscape across the Member States*, [Op.europa.eu](https://op.europa.eu).



In November 2023, the European Commission approved an EUR 60 million state aid scheme under the EU's Temporary Crisis and Transition Framework in Austria. The purpose of the scheme is to support investment in the production of batteries, solar panels, wind turbines, heat-pumps, electrolyzers and equipment for carbon capture usage and storage – as well as key components designed and primarily used as direct input for producing such equipment or related critical raw materials necessary for their production.

**Austria's investment in energy R&D is higher than the average of other members of the International Energy Agency and Austria is strong in green innovation and green jobs.** Backed by its Energy Research and Innovation Strategy, Austria focuses on strengthening innovation-intensive companies and enhancing its role as a location for green tech production, by defining national areas of strength and reinforcing them at EU level. In addition to these research and innovation efforts, Austria supports the local manufacturing of innovative energy technologies in three regions selected for the Energy Flagship Region, one of them focusing on the Austrian hydrogen market. In 2024, the country ranked third in the EU Eco-Innovation Index <sup>(170)</sup>, and between 2013 and 2023, Austria had the highest share of public investment in RD&I related to heat pump technologies <sup>(171)</sup>. Austria is also involved in Important Projects of Common European Interest (IPCEI) on microelectronics, batteries and hydrogen, which are expected to facilitate further research and development and initiate additional activities in these key strategic value chains.

### Transforming the car industry

---

<sup>(170)</sup> European Environment Agency, 2024, *Eco-innovation index in Europe*, [Eea.europa.eu](https://eea.europa.eu).

<sup>(171)</sup> Joint Research Centre Clean Energy Technology Observatory, 2024, *Heat Pumps in the European Union*, [Setis.ec.europa.eu](https://setis.ec.europa.eu).

**Similar to other parts of Europe, Austria's automotive supplier industry is struggling for global competitiveness in the midst of the shift to electric vehicles.** The automotive supplier industry is an important industrial sector in the country, which directly employed 36 200 people in 2023 <sup>(172)</sup> and had an export quota of above 80% <sup>(173)</sup>, with around 40% of exports going to Germany. This shows that a significant part of Austrian production is directly destined for the German market, with some of the largest suppliers very closely linked to German automotive companies. Difficulties in the German market therefore also impact Austrian companies in the automotive value chain. Weak demand for electric cars as well as insolvencies and production stops impact the competitiveness of this industrial sector as well as hamper Austria's transition to sustainable transport.

### Critical raw materials

**Austria is highly dependent on imports of raw materials**, such as metals and fossil fuels, which are particularly important for industrial sectors like the metalworking and electrical industries. The mining sector, including iron ore, magnesite, tungsten, salt, talc and leukophyllite, kaolin, iron mica and graphite, is also largely dependent on economic developments in the raw materials and financial markets, as well as on the downstream industries. The challenging economic situation, which led to a decrease in gross value added in the manufacturing of goods by more than 2% in 2023 also had a negative impact on Austrian mining, as well as on the steel and non-ferrous metal industries <sup>(174)</sup>.

---

<sup>(172)</sup> Austrian Economic Chamber, 2024,, [ARGE AUTO](https://ARGE.AUTO), 2024,, [Arge-auto.at](https://Arge-auto.at).

<sup>(173)</sup> Austrian Economic Chamber, 2024,, [Austria's automotive industry](https://Austria's%20automotive%20industry), 2024,, [Fahrzeugindustrie.at](https://Fahrzeugindustrie.at).

<sup>(174)</sup> Federal Ministry of Finance, 2024,, *Austrian Mining Yearbook*, [Bmf.gv.at](https://Bmf.gv.at).



**The country's own raw materials industry forms the basis for generating about 25% of Austria's GDP**, according to Ministry of Finance estimates <sup>(175)</sup>. Regarding its import concentration, which measures how much a country relies on a limited number of sources for most of its imports, the country slightly outperforms the EU average <sup>(176)</sup>. Around 80 million tonnes of mineral raw materials are extracted every year from mining, both underground and above-ground. In the field of construction raw materials such as sand and gravel, Austria is self-sufficient <sup>(177)</sup>. Austria is also home to one of the largest lithium deposits in Europe, though extraction has not started.

**Austria's manufacturing depends on a secure supply of primary and secondary raw materials for strategic sectors like renewable energy, digital technologies, and defence.** In the 2023 national waste management plan <sup>(178)</sup>, Austria highlights waste streams relevant to critical raw material (CRM) and their status. For a few areas, an accumulation of CRM waste stream is recognised, as for CRMs in PV panels. CRM recycling is often carried out in cooperation with other Member States, as is the case for lithium batteries. Austria has recycling capacity for certain metals, like wolfram or vanadium.

**In 2021, Austria adopted its Raw Materials 2030 masterplan, which aligns with the objectives set in the Critical Raw Materials Act.** Its main objectives are to secure the supply of primary and secondary mineral raw materials in Austria and strengthen supply

chains, innovation and the circular economy <sup>(179)</sup>.

As part of the master plan and supported by the European Commission's Technical Support Instrument, Austria has already developed a roadmap for a future Comprehensive Raw Material Balance <sup>(180)</sup>. The implementation of other projects is ongoing <sup>(181)</sup>. Austria also aims to cooperate with international companies working in the field of circular economy and increase the traceability of CRMs by setting up an information system as well as increasing collaboration between stakeholders via dialogue and a dedicated platform.

**The circular use of material is also key to reducing dependence on imports.** Over the last decade, Austria's circular material use rate has increased, surpassing the EU average, with Austria's resource productivity also above average <sup>(182)</sup>. At 84% in 2022, the recycling rate for e-waste, a key source of critical raw materials, is also above the EU average. The reuse and recycling rate for end-of-life vehicles is slightly below the EU average (86% vs. 89% in 2022). This points to the need to avoid the leakage of critical raw materials, notably as the car industry shifts to battery-electric vehicles.

## Climate mitigation

### Industry decarbonisation

**Manufacturing produces more than a third of Austria's greenhouse emissions; its manufacturing is fairly emissions intensive, dominated by emissions related to process and**

---

<sup>(175)</sup> Federal Ministry of Finance, *Mining in Austria*, [Bmf.gv.at](https://bmf.gv.at).

<sup>(176)</sup> European Commission, 2024, *Single Market and Competitiveness Scoreboard, strategic dependencies on raw materials*, [Ec.europa.eu](https://ec.europa.eu).

<sup>(177)</sup> Federal Ministry of Finance, *Mining in Austria*, [Bmf.gv.at](https://bmf.gv.at).

<sup>(178)</sup> Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology, 2023, *General Waste Management Plan*, [Bmk.gv.at](https://bmk.gv.at).

---

<sup>(179)</sup> Federal Ministry of Finance, 2021, *Masterplan Raw Materials 2030*, [Bmf.gv.at](https://bmf.gv.at).

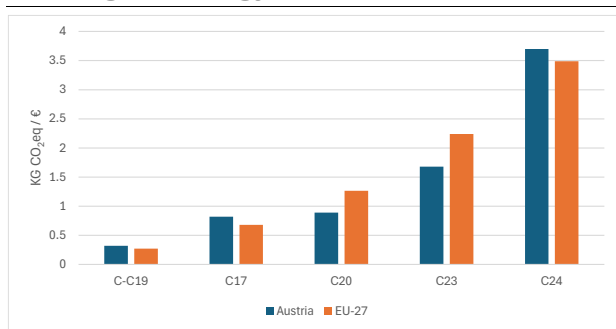
<sup>(180)</sup> European Commission, 2022, *Roadmap for a future Comprehensive Raw Material Balance*, [Ec.europa.eu](https://ec.europa.eu).

<sup>(181)</sup> Federal Ministry of Finance, 2024, *Monitoring report*, [Bmf.gv.at](https://bmf.gv.at).

<sup>(182)</sup> European Commission, *Raw Materials Information System, Country Profiles, Austria*, [Rmis.jrc.ec.europa.eu](https://rmis.jrc.ec.europa.eu).

product use. At 35%, the share of industry in Austria's total greenhouse gas emissions is the second highest in the EU <sup>(183)</sup>. In 2022, manufacturing production in Austria emitted 320 g CO<sub>2</sub>eq of greenhouse gases per euro of gross value added (GVA), almost a fifth more than the EU overall (270 g). Since 2017, emissions intensity in Austrian industry declined by 17%, less than the EU average (20%). With 60%, the share of greenhouse emissions related to industry processes and product use is the fourth highest in the EU; the remainder, energy-related emissions, have a lesser role in its manufacturing.

Graph A7.1: **GHG emission intensity of manufacturing and energy-intensive sectors, 2022**



Source: Eurostat.

**Austria's manufacturing sector has seen improvements in energy efficiency and both energy-related and process-related emissions intensity, but there is room for more.** Between 2017 and 2022, the greenhouse gas emissions intensity of energy-related emissions declined by 9% in Austria, albeit much less than the EU on average (16%) – reaching 110 g of CO<sub>2</sub>eq per euro of GVA <sup>(184)</sup>.

<sup>(183)</sup>In 2023, Manufacturing includes all divisions of the “C” section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

<sup>(184)</sup> For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF),

Regarding industry processes and product use in the same period, the reduction of the emissions intensity by 14% also lagged behind the EU average, 23%. The energy intensity of manufacturing decreased by about 13%, from 1.3 GWh per euro of GVA to 1.1 GWh/€, around the EU average. The share of electricity and renewables in the final energy consumption of manufacturing remained around 49%, placing Austria eighth in the EU in this regard.

### **Austria's energy-intensive industries are facing challenges.**

Energy-intensive sectors <sup>(185)</sup> account for 15% of Austria's manufacturing gross value added (2022). Among these, in 2022, with 0.8 kg and 3.7 kg CO<sub>2</sub>eq/€ of GVA, the manufacture of paper and paper products and basic metals and metal products recorded levels of emissions intensity above the EU average (0.6 kg and 3.5 kg). Like other EU Members, Austria too has suffered from significant energy price increases lately, with the electricity price for large consumers being the seventh highest in 2023 in the EU <sup>(186)</sup>. Between 2021 and 2024, Austria's energy-intensive industries reduced production by up to about 15%.

**Austria has put in place policies to support the decarbonisation of industry, but more work is needed.** Austria has implemented

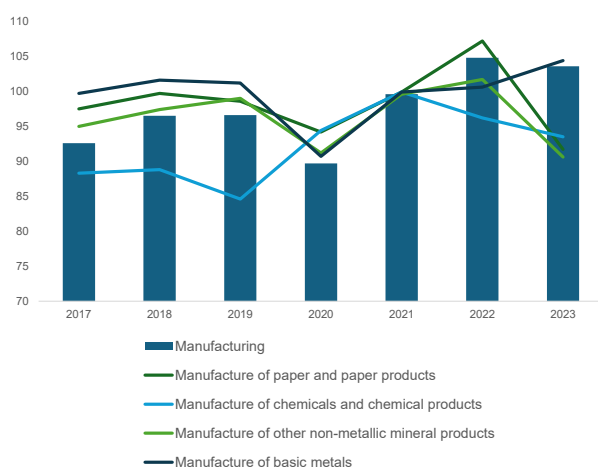
notably referring to the source sectors CRF1.A.2 – fuel combustion in manufacturing industries and construction and CRF2 – industrial processes and product use. The CRF1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage. Therefore, they are not fully consistent with the data referred to in other part of this section.

<sup>(185)</sup>Notably, the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), “other” non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations.

<sup>(186)</sup> For a detailed analysis of energy prices, see Annex 8 on the affordable energy transition.

measures to promote industry decarbonisation, including key laws such as the Hydrogen Promotion Act and the Renewable Energy Expansion Act, funding programmes like 'Transformation der Industrie' and 'Transformation der Wirtschaft', as well as the dialogue process 'klimaneutrale Industrie Österreich'. To further encourage decarbonisation in manufacturing, Austria could complement the existing toolkit by supporting the development of new low-carbon technologies, the scaling up of existing solutions and the promotion of sustainable supply chains and circular economy practices.

Graph A7.2: **Manufacturing industry production: total and selected sectors, index (2021 = 100), 2017-2023**



Source: Eurostat, 2024, sts\_inpr\_a.

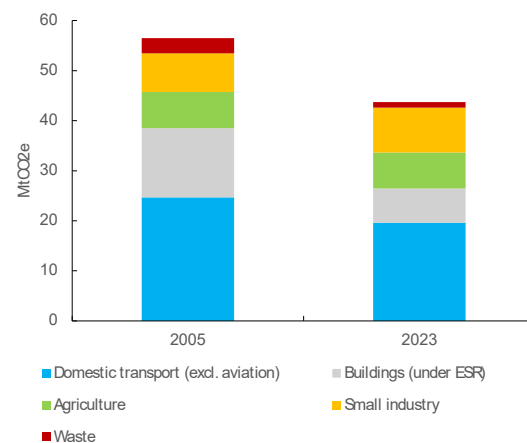
## Reduction of emissions in the effort sharing sectors

**To attain its 2030 effort sharing target, Austria needs to swiftly specify and implement further climate mitigation policies <sup>(187)</sup>.** In 2023, greenhouse gas emissions from Austria's effort sharing sectors are expected to have been 23.3% below those of 2005. By 2030, current and planned policies

<sup>(187)</sup>The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling); road transport; agriculture; waste; and small industry (known as the effort sharing sectors).

and measures are expected to lead to a decrease of 41.7% in 2030, leaving a gap of 6.3 percentage points to Austria's effort sharing 2030 target. Additional measures, which are not included into Austria's latest projections, would further reduce emissions, achieving a total of 46.1%. While Austria could bridge this gap by using domestic flexibilities available under the effort sharing regulation, swift and steady adoption will be critical for the implementation of the full set of measures given the large distance between current and additional measures <sup>(188)</sup>.

Graph A7.3: **Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023**



Source: European Environment Agency

## Sustainable industry

### Circular economy transition

**Despite positive trends, there is room for boosting Austria's circularity transition.** With 14.3% in 2023, and on the rise since 2020, Austria's circular use of material is above the EU average (11.8%) but far behind EU leaders.

<sup>(188)</sup> The effort sharing emissions for 2023 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections on the impact of current policies ("with existing measures", WEM) and additional policies ("with additional measures", WAM), as per Austria's final updated NECP.

Resource productivity, too, was above the EU average in 2023, with EUR 3.2 per kg of material consumed. Austria's resource productivity has been almost constantly improving over the past decade; this helps minimise negative environmental impacts and reduce dependence on volatile raw material markets.

In December 2022, Austria adopted its Circular Economy Strategy <sup>(189)</sup> which sets several key targets: reducing domestic material consumption to 14 tonnes per person annually by 2030 and lowering the material footprint to 7 tonnes per person annually by 2050. Austria also aims to increase resource efficiency by 50% by 2030 and raise the material use rate from the current 12% to 18%, which falls short of the EU Circular Economy Action Plan goals. Additionally, private household material consumption is to be reduced by 10% by 2030. A Repair Bonus Scheme <sup>(190)</sup> supported by the Recovery and Resilience Facility aims to give broken electronic devices a 'second chance', thus increasing the number of refurbished and repaired electrical and electronic equipment, in line with circular economy objectives. The support programme provides funding for households in the form of vouchers that cover 50% of the costs for repairing or renewing electrical and electronic equipment (and since 2024 also bikes).

**Austria's waste generation is too high and is increasing, but the country's waste management practices show improvements.** Austria's total waste generation shows a significant increase from 2012 onwards. This trend is primarily driven by the largest waste categories, namely soils and mineral waste from construction and demolition. Recyclable wastes increased while the generation of mixed waste decreased, indicating improvements in

waste management. At 803 kg per person in 2022, Austria produces the highest amount of waste per capita and far more than the EU average of 513 kg. Still, with a recycling rate of 62.6%, it ranks 2nd in the EU for municipal waste recycling. And it is on track to meet the 2025 recycling (except plastic packaging) and the 2035 landfilling targets. On 1 January 2025, Austria launched a deposit return system for single-use beverage containers (a measure under its recovery and resilience plan). Through this system, Austria aims to reach a collection rate of 80% in 2025 and 90% in 2027. In 2022, at 25%, its recycling rate for plastic packaging was far below the EU average of 41%. In 2022, 69.2% of construction and demolition waste was recycled, which was a big drop from 2020 for which no explanation has been provided. Austrians' material footprint is only slowly decreasing and stands at 22 tonnes per person, which is very high compared to the EU average of 14.2 tonnes per person.

**Current investment in the circularity transition has been insufficient.** Austria is estimated to need total additional investment worth at least EUR 750 million per year for the circular economy transition, including waste management. Of the circular economy gap, EUR 175 million relates to recent initiatives, such as eco-design for sustainable products, packaging and packaging waste, labelling and digital tools, critical raw materials recycling and measures proposed under the amended Waste Framework Directive. An additional EUR 492 million constitutes further investment need to unlock Austria's circular economy potential <sup>(191)</sup>.

## Zero pollution industry

**Austria has been making considerable progress in reducing air pollution, which is now decoupled from GDP growth.** The 2020-2029 emission reduction commitments

---

<sup>(189)</sup> Kreislaufwirtschafts-Strategie, 2022, [Link](#).

<sup>(190)</sup> Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie, 2024, Reparatur-Bonus, [Link](#).

---

<sup>(191)</sup> European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

under the National Air Pollution Control Programme have been met except for ammonia (NH<sub>3</sub>), and the commitments for the 2030s are projected to be met as well, except for NH<sub>3</sub>. An infringement procedure has been opened against Austria (and other Member States) for not meeting its emissions reduction commitments for 2020-2029 with regard to NH<sub>3</sub>. However, Austria submitted its updated national air pollution control programme (NAPCP) to the Commission on 8 April 2024. Under the 'with additional measures' scenario, Austria projects to meet its emissions reduction commitments for 2030 onwards for NH<sub>3</sub> too. In 2023, no exceedances above the limit values set by the Ambient Air Quality Directive were registered in Austria. However, for several air quality zones, the target values for ozone concentrations have not been met.

**Water pollution from industry is falling, but the accumulation of toxic substances puts chemical pressure on surface water bodies.**

Between 2010 and 2022, industrial releases of pollutants to water have decreased by 33% for heavy metals (Cd, Hg, Pb and nickel), by 4% for nitrogen, by 14% for organic carbon and by 22% for phosphorus.

Austria has the 12<sup>th</sup> highest amount of emissions of heavy metals to water and is in 17<sup>th</sup> position for emissions intensity, with 0.49 kg in damage to health and the environment per billion EUR GVA (below the EU average intensity of 0.86 kg/billion EUR GVA). The main contributors to emissions to water in Austria are the ferrous metal sector for heavy metals, the pulp, paper and wood sector for total phosphorus and total organic carbon, and the chemical and food and drink sector for total nitrogen. Two ubiquitous and persistent bio-accumulative and toxic substances (brominated ethers and mercury) are the reason all surface waterbodies in Austria fail to achieve good chemical status. On 23. September 2024, Austria published its "Action Plan on

PFAS"<sup>(192)</sup>. It calls for measures to reduce pollution by these dangerous chemicals, promotes communication on dangers and risks and supports coordinated action.

**Austria needs to invest more in pollution prevention and control.** For 2022, some 3 300 deaths a year were attributed to fine particulate matter (PM<sub>2.5</sub>) pollution; 780 deaths to nitrogen dioxide, and 1 400 to ozone. To meet its objectives for pollution prevention and control and address the health and economic costs of pollution, Austria needs to provide an additional EUR 855 million a year (0.19% of GDP), mostly related to clean air and noise<sup>(193)</sup>.

---

<sup>(192)</sup> Federal Ministry for Climate, 2024, PFAS-Aktionsplan, [Link](#).

<sup>(193)</sup> European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

Table A7.1: Key clean industry and climate mitigation indicators: Austria

Strategic autonomy and technology for the green transition				Austria				EU-27		
Net zero industry										
Operational manufacturing capacity 2023	400-800 (m)			- Electrolyzer, MW			-			
- Solar PV (c: cell, w: wafer, m: module), MW				- battery, MWh			800-850			
- Wind (b: blade, t: turbine, r: nacelle), MW	-									
Automotive industry transformation	2017	2018	2019	2020	2021	2022	2023		2018	2021
Motorisation rate (passenger cars per 1000 inhabitants), %	555	562	566	570	572	566	566	↘	539	561
New zero-emission vehicles, electricity motor, %	1.54	1.98	2.81	6.42	13.91	15.89	19.91	↗	1.03	8.96
Critical raw materials	2017	2018	2019	2020	2021	2022	2023		2018	2021
Material import dependency, %		44.5	44.4	44.3	43.4	42.5	41.5	↘	24.2	22.6
Climate mitigation										
				Austria				Trend		EU-27
Industry decarbonisation	2017	2018	2019	2020	2021	2022	2023		2017	2022
GHG emissions intensity of manufacturing production, kg/€	0.38	0.34	0.35	0.37	0.36	0.32	0.31	↘	0.34	0.27
Share of energy-related emissions in industrial GHG emissions	61.0	61.6	58.9	60.4	59.4	60.8	60.0	↘	44.8	42.5
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	120.0	117.5	116.8	121.9	117.2	109.6	-	↘	158.4	132.9
Share of electricity and renewables in final energy consumption in manufacturing, %	49.7	49.3	49.1	48.0	48.7	49.5	51.1	↘	43.3	44.2
Energy intensity of manufacturing, GWh/€	1.25	1.20	1.19	1.24	1.18	1.10	1.04	↘	1.29	1.09
Share of energy-intensive industries in manufacturing production						14.5				7.3
GHG emissions intensity of production [...], kg/€										
- paper and paper products (NACE C17)	0.84	0.82	0.88	0.89	0.88	0.82	0.92	-	0.73	0.68
- chemicals and chemical products (NACE C20)	0.98	0.78	0.78	0.73	0.92	0.89	0.72	-	1.25	1.26
- other non-metallic mineral products (NACE C23)	1.77	1.83	1.75	2.01	1.87	1.68	1.79	-	2.53	2.24
- basic metals (NACE C24)	3.01	2.68	2.97	3.14	3.74	3.70	3.51	-	2.79	3.49
Reduction of effort sharing emissions		2018	2019	2020	2021	2022	2023		2018	2023
GHG emission reductions relative to base year, %					-14.7	-19.0	-23.3			
- domestic road transport		-1.9	-1.7	-14.9	-11.9	-16.7	-20.4	↘	14	5.2
- buildings		-36.5	-34.6	-34.7	-29.2	-40.1	-50.7	↘	21.4	32.9
	2005				2021	2022	2023	Target	WEM	WAM
Effort sharing: GHG emissions, Mt; target, gap, %	57.0				48.6	46.2	43.7	-48.0	-18.2	-6.3
Sustainable industry										
				Austria				Trend		EU-27
Circular economy transition		2018	2019	2020	2021	2022	2023		2018	2021
Material footprint, tonnes per person		23.9	23.6	22.3	25.3	24.8	22.0	↘	14.7	15.0
Circular material use rate, %		11.8	11.5	11.4	11.3	12.4	14.3	↗	11.6	11.1
Resource productivity, €/kg		2.5	2.5	2.4	2.5	2.9	3.2	↗	2.1	2.3
Zero pollution industry										
Years of life lost due to PM2.5, per 100,000 inhabitants		580	421	335	353	508	-	↗	702	571
Air pollution damage cost intensity, per thousand € of GVA					14.7					27.5
Water pollution intensity, kg weighted by human factors per bn € GVA						0.5				0.9

**Source: Net zero industry:** European Commission: [The net-zero manufacturing industry landscape across Member States: final report](#), 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: [EEA greenhouse gases data viewer](#); European Commission, [Climate Action Progress Report](#), 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, [Harm to human health from air pollution in Europe: burden of disease status](#), 2024. Air pollution damage: EEA, [EU large industry air pollution damage costs intensity](#), 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH3, Ni, NMVOC, NOX, Pb, dioxins, PM10, PAH, SOX. Water pollution intensity: EEA, [EU large industry water pollution intensity](#), 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.

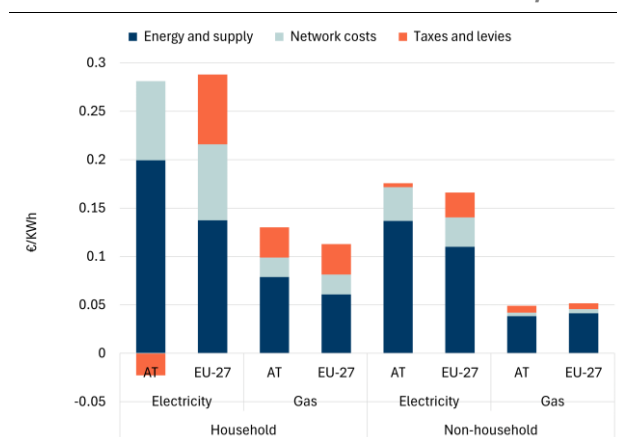


**This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero.** It examines the measures and targets proposed in the final updates to the national energy and climate plans (NECPs) for 2030.

**Austria has made significant progress in its clean energy transition pathway, having phased out coal in 2020, and with no nuclear energy (by law) and no Russian gas imports since the beginning of 2025.** Further electrification of its energy system would be useful to achieve 100% in renewables electricity by 2030. Austria has accelerated renewables deployment but it would be beneficial if it were to improve its renewables permit process and continue working on further grid expansion and more efficient use of its energy system by increasing flexibility.

## Energy prices and costs

Graph A8.1: **Retail energy price components for household and non-household consumers, 2024**



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.

(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.

**Source:** Eurostat

**Households' retail electricity and gas prices have declined year on year by 4% and 14%**

**respectively. Electricity is slightly below the EU average, and gas above.** Taxes contribute negatively to the cost of electricity for households, reducing total prices by almost 9%.

**Industrial electricity and gas prices have also declined by 23% and 9% respectively.** Both values are close to the EU average, with electricity being slightly above and gas slightly below the EU value. For electricity, taxes constitute only 2.2% of electricity cost for industry, compared to 15.4% on average across the EU.

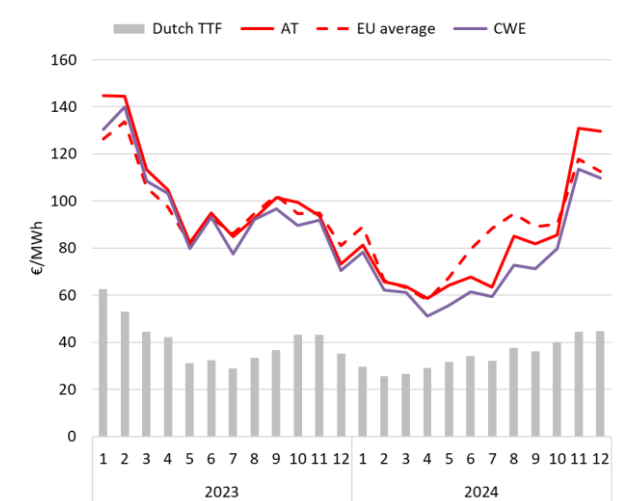
**Wholesale electricity prices in Austria were 81.5 EUR/MWh in 2024<sup>(194)</sup>, below the EU average of 84.7 EUR/MWh, largely attributed to a significant share of renewables in Austria's electricity mix (87% in 2024).** But within the broader Central Western European (CWE) region, Austria experienced price spikes during spring and summer, and this occurred amid rising natural gas costs. These price increases were followed by a stronger surge in autumn and winter. A colder winter in the region led to higher consumption, with a +3.4% rise in November to December 2024 compared to the same period in 2023. Additionally, lower hydropower with a 40.3% decline during the same period due to unfavourable meteorological conditions and limited non-fossil flexibility further worsened the supply-demand gap. While increased imports<sup>(195)</sup> helped to partially mitigate this gap, the remaining shortfall was largely filled by costly natural gas-fired generation, which rose by 62.2% in November to December 2024 compared to the same period in 2023. As a result, concentrated price spikes occurred, particularly in the evening

<sup>(194)</sup>Source: Fraunhofer (ENTSO-E data).

<sup>(195)</sup>Austria had net electricity imports of 1.15 TWh in November and December 2024, an increase of 0.05 TWh compared to the same months in 2023.

hours (18:00-21:00), when solar output declined, and demand increased<sup>(196)</sup>.

Graph A8.2: **Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)**



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.

(ii) CWE gives average prices in the central-western European market (Belgium, France, Germany, Luxembourg, the Netherlands and Austria).

**Source:** S&P Platts and ENTSO-E

## Flexibility and electricity grids

**Austria is in the Core<sup>(197)</sup> and Italy North<sup>(198)</sup> capacity calculation regions<sup>(199)</sup>. Italy North mostly meets the target for the margin available for cross-zonal electricity trade, but the Core region does not.** Member States should ensure that a minimum of 70% of technical cross-border capacity is available for trading. Austria's national action plan aims to increase cross-border capacities to 70% by reinforcing the electricity grid and address

<sup>(196)</sup> Source: Yearly electricity data, Ember (consumption and generation data throughout the paragraph).

<sup>(197)</sup> Core is the Capacity Calculation Region (CCR) which covers Austria, Belgium Czechia, Germany, France, Croatia, Hungary, the Netherlands, Poland, Romania, Slovenia, Slovakia and, once connected, Ireland.

<sup>(198)</sup> France, Italy, Austria and Slovenia are part of the Italy North CCR.

<sup>(199)</sup> A CCR is a group of countries which calculate cross-border electricity trade flows together.

uncoordinated electricity flows, like loop flows and flows from non-EU countries. Austria issued a derogation due to excessive loop and other uncoordinated flows. A derogation enables a lower level of trades for a time-limited period when needed for operational security reasons.

**By 2025, Austria's electricity interconnection will exceed 25%. Seven electricity transmission or storage projects of common/mutual interest (PCI/PMI) aim to improve Austria's electricity network and that of the region.** These projects are: Kaunertal Storage Extension, Cluster Austria – Germany, the Würmlach (AT) and Somplago (IT) and the Lienz (AT) and Veneto (IT) interconnector. The PCI/PMI list also includes the GreenSwitch (AT, HR, SI) smart grid project, the Italy-Austria-Germany hydrogen corridor and the generic hydrogen corridor. The Lienz-Veneto electricity interconnector, the GreenSwitch smart grid project and the two hydrogen corridors are also central and south-eastern Europe energy-connectivity (CESEC)<sup>(200)</sup> electricity-priority infrastructure projects under close monitoring by its high-level group.

**In April 2024, Austria became the first country in the EU to present an integrated network infrastructure plan.** This plan covers the development of electricity and gas networks, aiming for Austria to achieve climate neutrality by 2040.

**Despite achieving growth in renewables generation, Austria curtailed an average of 6 500 MWh of electricity per month in 2024.** Austria's transmission system operator, APG, plans to invest EUR 9 billion up to 2034 in a high-capacity electricity infrastructure, storage facilities and digital intelligence to fully capitalise on the planned growth rates of renewables in the coming years. The simplification and acceleration of approval

<sup>(200)</sup> [central-and-south-eastern-europe-energy-connectivity.eu](https://central-and-south-eastern-europe-energy-connectivity.eu).



procedures are indispensable preconditions in this context <sup>(201)</sup>.

**Austria is advancing in non-fossil flexibility, despite some challenges.** A draft Electricity Act is in preparation. It aims to remove regulatory barriers that currently limit flexible resources, like demand-side response and storage, from fully participating in the day-ahead and intraday markets. The country has 4 300 MW of electricity storage, mainly from hydro power storage plants and pumped hydro (the latter approx. 3 600 GWh). Batteries add around 40-50 MW. The country plans 5.9 GW of additional storage by 2035 and has 200-300 MW of demand response capacity. The Climate and Energy Fund allocates EUR 250 million (2022-2026) for storage at renewable sites. Major future projects include the Limberg III pumped hydro plant (480 MW, 850 GWh) and PCI projects like the Kaunertal Storage Extension (64 GWh) and the Pumped Hydroelectric Energy Storage RIEDL (3.5 GWh).

**Austria is making progress with regard to smart-meter rollout and energy communities, but needs to enhance consumer empowerment in demand response, dynamic pricing and smart grids.** Electricity consumers in Austria, both household and non-household, can access market-based offers, like fixed price/term, dynamic price and average monthly spot-price contracts. In 2023, 83% of households and 87% of non-household contracts were fixed-priced (EU average: 73%), up 35% from 2022. In 2023 <sup>(202)</sup>, household electricity switching rates rose to 3.8% (+1.6% compared to 2022), while non-household consumers dropped to 4% (-2.5% compared to 2022). Austria met its target of equipping 80% of households with smart meters in 2023 <sup>(203)</sup>, ahead of its 2024 goal, and has established 646 renewable energy

communities and 69 citizen energy communities <sup>(204)</sup>.

**In 2023, electricity accounted for 22.3% of Austria's final energy consumption, marginally below the EU average of 22.9%. This share has increased steadily over the past decade <sup>(205)</sup>.** When it comes to households, electricity accounts for 28.6% of final energy consumption, while in industry it represents 29.2% (see also Annex 7). For the transport sector, this share remains negligible at 4.2%. Further progress in electrification across sectors is required for cost effectively decarbonising the economy and bringing the benefits of affordable renewable generation to consumers.

## Renewables and long-term contracts

- **2024 was a record year for Austria in renewables**, with 87% <sup>(206)</sup> of its electricity coming from renewable energy sources (RES), mainly from hydropower, solar and wind (vs EU overall RES share of 47%), and 39% of heating and cooling. Installed renewables capacity grew by 9.3% in 2024 (vs EU growth of 11.5%), reaching a total of 28,864 MW renewable energy capacity<sup>(207)</sup> (see Graph A8.3). In 2023, the country installed 0.3 GW of wind (+7% compared to 2022) and 2.6 GW of solar (+69% compared to 2022), significantly exceeding the 2022 solar levels<sup>(208)</sup>. However, 2024 saw a decline in solar photovoltaic (PV) installations with a total of 2.2 GW installed, due to a commercial rooftop market <sup>(209)</sup> slowdown and almost no new wind capacity <sup>(210)</sup>. **RES**

<sup>(201)</sup> Source: [www.apg.at/en/news-press/apg-june-evidences-pv-boom-and-need-for-grid-expansion-in-austria/](http://www.apg.at/en/news-press/apg-june-evidences-pv-boom-and-need-for-grid-expansion-in-austria/).

<sup>(202)</sup> Idem.

<sup>(203)</sup> Idem.

<sup>(204)</sup> [energiegemeinschaften.gv.at/landkarte/](http://energiegemeinschaften.gv.at/landkarte/).

<sup>(205)</sup> CAGR (Compound Annual Growth Rate) of 0.9% between 2013 and 2023 and minimum/maximum share of 20.4% and 22.3%, respectively.

<sup>(206)</sup> Yearly electricity data, Ember.

<sup>(207)</sup> Renewable capacity statistics 2025, IRENA.

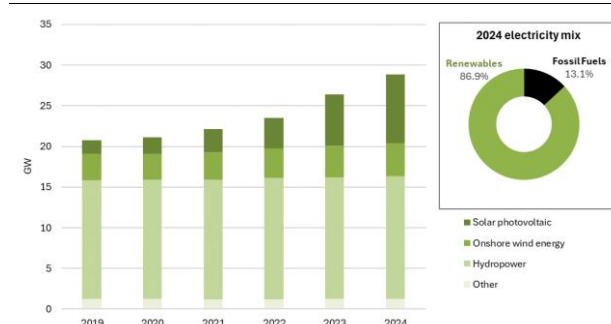
<sup>(208)</sup> Idem.

<sup>(209)</sup> [Solar Power Europe, EU Market Outlook for Solar Power 2024-2028](http://Solar Power Europe, EU Market Outlook for Solar Power 2024-2028).

<sup>(210)</sup> [www.energy-charts.info/](http://www.energy-charts.info/).

**grid connection** waiting times remain substantial, with up to eight years being reported for ground-mounted solar PV projects <sup>(211)</sup>.

Graph A8.3: **Austria's installed renewable capacity (left) and electricity generation mix (right)**



"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.

**Source:** IRENA, Ember

**Austria improved RES permitting processes and prioritised energy transition projects by reforming the Environmental Impact Assessment Act. This reform included positive steps in integrated grid planning and transparency on available grid capacities.** However, the transposition of revised EU permitting rules was delayed due to national elections and divided competencies between the federal and state level. There is thus room for further improvement to reduce the length of the RES permit-granting procedure, especially taking into consideration the guidance on speeding up permit-granting procedures. There is an ongoing infringement procedure against Austria for failure to transpose the permit-granting provisions of the revised Renewable Energy Directive.

**Austria sets more ambitious renewables targets in its final updated NECP.** By 2030, it aims to reach 100% RES in the electricity sector, 53% in heating and cooling and 43% in transport.

Austria recently moved from feed-in tariffs to auction-based market premium support for renewables, with a first tender in 2024. However, more clarity is needed on the future support schedule, as only the auctions for 2024-2025 have been published on the Union Renewable Development Platform. As part of European wind power action, Austria committed to installing 1.4 GW of onshore wind capacity between 2024 and 2026.

**Currently, renewable power purchase agreements (PPAs) are limited in Austria,** with 0.1 GW contracted <sup>(212)</sup>. Austria plans to enhance its legal framework for PPAs, according to its final updated NECP.

## Energy efficiency

**Austria has made progress in energy efficiency, but further measures could usefully be implemented to reach its 2030 targets.** In 2023, primary energy consumption (PEC) dropped by 3.2% to 29.35 Mtoe, and final energy consumption (FEC) decreased by 3.8% to 24.17 Mtoe. Compared to 2022, FEC fell in most sectors: 7.5% in industry, 6% in services and 4.9% in residential. However, FEC increased in the transport sector by 1%. According to the recast EED <sup>(213)</sup>, Austria should try to reach a PEC of 24.9 Mtoe and an FEC of 21.6 Mtoe by 2030. The measures and associated savings currently reported are not enough to reach the new savings target. Austria has completed an assessment identifying opportunities for high-efficiency cogeneration and efficient district heating and cooling, in line with Article 25(1) of the recast EED. Decarbonising heating and cooling in Austria is achievable under specific conditions, such as renovating buildings, decarbonising electricity and integrating industrial waste heat while decarbonising the industry.

<sup>(211)</sup> [Solar Power Europe, EU Market Outlook for Solar Power 2023-2027.](#)

<sup>(212)</sup> [PPA deal tracker - RE-Source Platform.](#)

<sup>(213)</sup> Energy Efficiency Directive (EU) 2023/1791.

**It would be useful if Austria were to step up efforts in the residential sector to meet its 2030 building decarbonisation goals, set out in the latest long-term renovation strategy.**

Although residential energy use decreased between 2022 and 2023, it has been mostly stagnant or slightly rising since 2018 if climate adjustments are taken into account.

In 2022, heating and cooling made up 83% of Austria's residential final energy consumption. About 55 000 heat pumps were sold in 2023, a 9% drop compared to 2022. The Renewable Heating Act (Erneuerbare-Wärme-Gesetz) of 2024 bans fossil-based boilers in new buildings as of 2025, and financial support for replacing them with low-carbon options has been significantly increased for existing buildings.

**Austria's national financing framework for energy efficiency investments mostly includes grants and blended schemes.** In 2024, Austria continued to implement various financing measures, mainly for companies, to enhance energy efficiency through new equipment, technology development and research projects. The focus is on heating-related measures that benefit businesses and some households. Key schemes include housing subsidies, replacing fossil fuel boilers with efficient systems such as district heating and heat pumps, and switching from fossil-fuel-based heating to climate-friendly systems. Funding supports SMEs, industry, the residential and district heating sectors.

**Despite having put in place measures to address energy poverty, Austria is experiencing a rise in households facing or at risk of energy poverty** (see also Annex 11) **and lacks clear targets.** The EU-SILC survey shows that in 2023, 3.9% of households were unable to keep their homes sufficiently warm (+1.2% from 2022), and 6.9% had payment arrears (on mortgages or rent, utility bills or hire purchase)<sup>(214)</sup> (+2.2% since 2022). Austria

<sup>(214)</sup> [ec.europa.eu/eurostat/databrowser/view/ilc\\_mdso1/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ilc_mdso1/default/table?lang=en).

uses two indicators: (1) households at risk of poverty with high energy costs (3.6% in 2022) and (2) households unable to keep their homes sufficiently warm<sup>(215)</sup>. Austria has some measures to combat energy poverty, like energy cost subsidies and housing benefits, but lacks specific targets<sup>(216)</sup>.

## Security of supply and diversification

**Austria's OMV ended its long-term gas supply contract with Gazprom Export in November 2024.** With Russian gas transit via Ukraine ending on 1 January 2025, Austria had secured gas imports from Norway, Germany, and Italy, ensuring a smooth transition. Additionally, Austria reduced its gas demand by 21% between August 2022 and November 2024, improving energy security and decreasing reliance on Russian gas.

**Two thirds of Austria's overall energy mix in 2023 remained reliant on fossil fuels,** with oil accounting for 36%, natural gas 19% and (imported) coal 8% of gross inland consumption<sup>(217)</sup>, while renewables (and biofuels) contributed to 36%<sup>(218)</sup>. This reliance underscores the importance of Austria's ongoing efforts in its energy transition to diversify its energy sources and strengthen energy security. In 2023, 40.8% of gross final energy consumption in Austria came from renewable sources, up by 6.8 percentage point compared to 2022<sup>(219)</sup>.

<sup>(215)</sup> Based on Austria's final updated NECP.

<sup>(216)</sup> Idem.

<sup>(217)</sup> Electricity and heat are excluded to avoid double counting focusing on primary energy sources.

<sup>(218)</sup> Gross inland consumption ([Eurostat](#)).

<sup>(219)</sup> Gross final energy consumption ([Statistics | Eurostat](#)).

## Fossil fuel subsidies

In 2023, environmentally harmful<sup>(220)</sup> fossil fuel subsidies without a planned phase-out before 2030 represented 0.14%<sup>(221)</sup> of Austria's GDP<sup>(222)</sup>, below the EU weighted average of 0.49%. Tax measures accounted for 99% of this volume, while the remaining share were direct grants. Additionally, Austria's 2023 Effective Carbon Rate<sup>(223)</sup> averaged EUR 89.88 per tonne of CO<sub>2</sub>, above the EU weighted mean of EUR 84.80<sup>(224)</sup>.

---

<sup>(220)</sup> Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.

<sup>(221)</sup> Numerator is based on volumes cross-checked with the Austrian authorities. For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic.

<sup>(222)</sup> 2023 Gross Domestic Product at market prices, Eurostat.

<sup>(223)</sup> The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

<sup>(224)</sup> OECD (2024), Pricing Greenhouse Gas Emissions 2024

Table A8.1: Key Energy Indicators

	Austria				EU			
	2021	2022	2023	2024	2021	2022	2023	2024
<b>Household consumer - Electricity retail price (EUR/KWh)</b>	<b>0.2250</b>	<b>0.2309</b>	<b>0.2700</b>	<b>0.2584</b>	<b>0.2314</b>	<b>0.2649</b>	<b>0.2877</b>	<b>0.2879</b>
Energy & supply [%]	33.1%	49.7%	76.3%	77.2%	36.6%	54.3%	55.6%	47.8%
Network costs	30.0%	29.8%	28.9%	31.6%	26.7%	25.3%	24.8%	27.2%
Taxes and levies including VAT	36.8%	20.6%	-5.2%	-8.8%	36.7%	20.3%	19.6%	25.0%
VAT	16.7%	16.7%	16.7%	16.7%	14.5%	13.4%	13.8%	14.6%
<b>Household consumer - Gas retail price</b>	<b>0.0665</b>	<b>0.1005</b>	<b>0.1518</b>	<b>0.1301</b>	<b>0.0684</b>	<b>0.0948</b>	<b>0.1121</b>	<b>0.1128</b>
Energy & supply	47.4%	59.2%	66.2%	60.6%	43.7%	61.0%	64.5%	53.9%
Network costs	25.7%	17.6%	13.0%	15.4%	22.5%	17.3%	17.1%	18.3%
Taxes and levies including VAT	26.9%	23.2%	20.8%	24.0%	33.8%	21.7%	18.4%	27.8%
VAT	16.7%	16.6%	16.7%	16.2%	15.5%	11.6%	10.2%	13.6%
<b>Non-household consumer - Electricity retail price</b>	<b>0.1138</b>	<b>0.1844</b>	<b>0.2272</b>	<b>0.1756</b>	<b>0.1242</b>	<b>0.1895</b>	<b>0.1971</b>	<b>0.1661</b>
Energy & supply	42.6%	65.7%	69.6%	64.9%	43.0%	66.5%	63.0%	55.8%
Network costs	20.3%	12.7%	12.2%	16.6%	15.8%	10.7%	11.9%	15.5%
Taxes and levies excluding VAT	24.5%	5.9%	1.9%	2.2%	30.4%	9.9%	11.2%	15.4%
<b>Non-household consumer - Gas retail price</b>	<b>0.0378</b>	<b>0.0776</b>	<b>0.0540</b>	<b>0.0492</b>	<b>0.0328</b>	<b>0.0722</b>	<b>0.0672</b>	<b>0.0517</b>
Energy & supply	63.1%	74.7%	70.3%	66.0%	66.2%	77.3%	77.3%	68.7%
Network costs	6.4%	3.3%	5.7%	6.0%	7.7%	3.8%	5.3%	7.1%
Taxes and levies excluding VAT	16.7%	6.6%	9.3%	14.6%	12.5%	6.1%	7.3%	11.6%
<b>Wholesale electricity price (EUR/MWh)</b>	<b>106.5</b>	<b>260.6</b>	<b>102.5</b>	<b>81.6</b>	<b>111.0</b>	<b>233.2</b>	<b>99.1</b>	<b>84.7</b>
<b>Dutch TTF (EUR/MWh)</b>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	46.9	123.1	40.5	34.4

	2017	2018	2019	2020	2021	2022	2023	2024
<b>Gross Electricity Production (GWh)</b>	<b>71,324</b>	<b>68,618</b>	<b>74,234</b>	<b>72,558</b>	<b>70,887</b>	<b>69,193</b>	<b>74,459</b>	-
Combustible Fuels	21,296	19,900	20,865	18,368	18,678	19,013	15,492	-
Nuclear	-	-	-	-	-	-	-	-
Hydro	42,175	41,219	44,204	45,344	42,678	39,141	44,523	-
Wind	6,572	6,030	7,450	6,792	6,740	7,242	8,037	-
Solar	1,269	1,455	1,702	2,043	2,774	3,783	6,395	-
Geothermal	0	0	0	0	0	0	0	-
Other Sources	13	13	13	12	16	15	12	-
<b>Gross Electricity Production [%]</b>								
Combustible Fuels	29.9%	29.0%	28.1%	25.3%	26.3%	27.5%	20.8%	-
Nuclear	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Hydro	59.1%	60.1%	59.5%	62.5%	60.2%	56.6%	59.8%	-
Wind	9.2%	8.8%	10.0%	9.4%	9.5%	10.5%	10.8%	-
Solar	1.8%	2.1%	2.3%	2.8%	3.9%	5.5%	8.6%	-
Geothermal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Sources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
<b>Net Imports of Electricity (GWh)</b>	<b>6,546</b>	<b>8,947</b>	<b>3,129</b>	<b>2,196</b>	<b>7,543</b>	<b>8,705</b>	<b>-72</b>	-
As a % of electricity available for final consumption	10.0%	13.6%	4.7%	3.4%	11.3%	13.2%	-0.1%	-
<b>Electricity Interconnection [%]</b>	<b>15.3%</b>	<b>42.4%</b>	<b>38.1%</b>	<b>37.6%</b>	<b>31.5%</b>	<b>31.3%</b>	<b>30.3%</b>	<b>29.0%</b>
<b>Share of renewable energy consumption - by sector [%]</b>								
Electricity	71.6%	74.2%	75.1%	78.2%	73.9%	74.8%	87.8%	-
Heating and cooling	33.7%	34.2%	33.9%	35.0%	33.4%	31.3%	39.4%	-
Transport	9.7%	9.9%	10.1%	10.3%	9.6%	10.7%	13.2%	-
Overall	33.1%	33.8%	33.8%	36.5%	34.8%	34.1%	40.8%	-

	2020	2021	2022	2023	2020	2021	2022	2023
<b>Import Dependency [%]</b>	<b>58.4%</b>	<b>51.8%</b>	<b>74.2%</b>	<b>61.1%</b>	<b>57.5%</b>	<b>55.5%</b>	<b>62.5%</b>	<b>58.3%</b>
of Solid fossil fuels	97.8%	99.4%	99.9%	102.0%	35.8%	37.2%	45.9%	40.8%
of Oil and petroleum products	97.5%	90.4%	94.7%	96.2%	96.8%	91.7%	97.8%	94.5%
of Natural Gas	73.4%	51.0%	149.1%	101.6%	83.6%	83.6%	97.6%	90.0%
<b>Dependency from Russian Fossil Fuels [%]</b>								
of Natural Gas	0.0%	0.0%	0.0%	0.0%	41.0%	40.9%	20.7%	9.3%
of Crude Oil	10.0%	7.0%	1.4%	0.0%	25.7%	25.2%	18.4%	3.0%
of Hard Coal	12.7%	13.3%	12.0%	11.4%	49.1%	47.4%	21.5%	1.0%

	2017	2018	2019	2020	2021	2022	2023	2024
<b>Gas Consumption (in bcm)</b>	<b>9.4</b>	<b>8.9</b>	<b>9.3</b>	<b>8.8</b>	<b>9.3</b>	<b>8.2</b>	<b>7.0</b>	
Gas Consumption year-on-year change [%]	7.5%	-5.3%	4.4%	-4.9%	5.8%	-12.3%	-14.3%	
<b>Gas Imports - by type (in bcm)</b>	<b>8.5</b>	<b>7.8</b>	<b>11.4</b>	<b>6.5</b>	<b>4.8</b>	<b>12.2</b>	<b>7.1</b>	
Gas imports - pipeline	8.5	7.8	11.4	6.5	4.8	12.2	7.1	
Gas imports - LNG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Source: Eurostat, ENTSO-E, S&amp;P Platts

**Austria is confronted with increasing climate and environmental challenges that have implications for its economic competitiveness.** With a near 2 °C increase in average annual surface temperature since 1880, the country faces heightened risks from heatwaves and landslides, along with shifting precipitation patterns that exacerbate heavy rainfall and drought conditions. At the same time, biodiversity remains under threat, with many habitats and species having a poor or bad status, undermining ecosystem services that are vital for sectors such as agriculture and construction. With 56% of electricity already being produced by hydropower, the necessary impoundments are having a negative impact on the status of water bodies. Austria will need to find the right balance between renewable energy production and the protection/restoration of ecosystems.

### Climate adaptation and preparedness

**Austria's average annual surface temperature has increased by nearly 2 °C since 1880, resulting in increased climatic hazards.** Urban areas are particularly exposed to heatwaves, while mountainous regions will experience more landslides and rockfall due to thawing permafrost. Although Austria's annual precipitation will remain relatively stable, the country is likely to see more frequent and intense heavy rainfall events, as well as an increased risk of droughts, due to changes in precipitation patterns and rising evapo-transpiration rates <sup>(225)</sup>.

**Climate risks directly affect Austria's economy and society.** Between 1980 and 2023, Austria recorded EUR 14.7 billion in economic losses due to weather and climate-related extreme events, with just 19% of these

losses insured <sup>(226)</sup>. Budgetary risks are expected to increase, driven by higher costs for repairing and maintaining public infrastructure, as well as rising healthcare expenditure due to heat stress, prolonged allergy seasons and new infectious diseases <sup>(227)</sup>. These health risks disproportionately affect vulnerable populations, including older people, pregnant women, children and individuals with chronic illnesses or disabilities. In September 2024, Austria experienced heavy rainfall and flooding, which caused estimated damage of at least EUR 1.3 billion and affected around 700 companies. While annual investments of EUR 60 million in flood prevention helped mitigate the damage, the event sparked a debate about how to better protect against natural disasters, including the role of insurance in mitigating their impact.

**Austria has been proactively addressing climate change adaptation.** In 2012, the country was one of the first in the EU to link strategic concepts to concrete action plans. In 2024, the country released its third climate adaptation strategy (NAS 3.0), which includes an action plan with over 120 specific recommendations across 14 areas of activity. Regular reports track progress, with the next one to be published in 2026. By that year, Austria will also have completed its revised national assessment of climate vulnerabilities, impacts and risks. Furthermore, the National Heat Protection Plan, which was first published in 2017, was extensively updated in 2024 with a special focus on vulnerable groups. To underpin these efforts, Austria invests around EUR 4 million annually in the Austrian Climate Research Programme. Furthermore, Austria has effective regional and local initiatives, such as a network for practitioners <sup>(228)</sup>, the natural hazard and climate change check for

<sup>(225)</sup> Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology, 2024, *The Austrian Strategy for Adaptation to Climate Change*, [Link](#).

<sup>(226)</sup> EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe*, [Link](#).

<sup>(227)</sup> WIFO, 2024, *Budgetäre Kosten und Risiken durch klimapolitisches Nicht-Handeln und Klimarisiken*, [Link](#).

<sup>(228)</sup> Klimawandel Anpassungsnetzwerk, [Link](#).



municipalities <sup>(229)</sup>, and the funding programme for climate change and adaptation model regions (KLAR!) <sup>(230)</sup>, which supports over 800 municipalities and more than 2.2 million inhabitants in 91 regions. With KLAR! Invest, the programme offers additional support for implementation and scaling up. Moreover, building on the EU Mission on Adaptation to Climate Change, Austria developed a central competence centre to facilitate efficient information exchange and synergies. The country also recognises exemplary climate adaptation by municipalities, with the first CliA State Award presented in 2024. In addition, climate change adaptation measures are now eligible for funding under the federal government's communal investment programme, with EUR 500 million allocated from 2025 to 2027. Austria uses also EU funding schemes to support national adaptation policy processes. One example is the LIFE project AMooRe - Austrian Moor Restoration, which supports the implementation of the Peatland Strategy Austria 2030+ <sup>(231)</sup>.

## Water resilience

### **Water quality in Austria has slightly improved, but concerns remain regarding the chemical status of surface water bodies.**

Austria's third river basin management plan (2022-2027) under the Water Framework Directive shows that the ecological status and potential of surface water bodies (SWBs) has slightly improved since the second plan, with almost half of them (49%) classified as having good or better ecological status/potential. The main pressures are impoundments for

hydropower and flood protection. In 2020, 56% of electricity was produced by hydropower and Austria plans to add a further 5 TWh of hydropower capacity to the grid by 2030. New construction projects require scrutiny as they will have substantial impacts on terrestrial and aquatic ecosystems. With 80% of its hydropower plants currently failing to meet minimum ecological requirements, Austria will need to find the right balance between renewable energy production and the protection/restoration of ecosystems. As regards the chemical status of SWBs, the situation has remained alarming, with 100% failing good status. On the other hand, all groundwater bodies monitored showed a good quantitative status in 2021. In terms of their chemical status, there has been a slight deterioration, though most water bodies are still reported as having good chemical status. The main pollutants are nitrates, pesticides, ammonium and sulphate.

**On average, there is currently no water stress in Austria, though there are regional and seasonal differences and drought during growing periods is now the greatest limiting factor for plant growth in certain agricultural regions.** This trend is expected to intensify in the future. The water exploitation index plus (WEI+) stands at 2.1% in 2022, which is far below the 20% that is generally considered to be an indication of water scarcity. Nevertheless, climatological and demographic projections suggest that Austria's ground water resources could drop by up to 23% by 2050 due to climate change and population growth <sup>(232)</sup>. Austria's response involves plans for more abstractions from the Danube <sup>(233)</sup>. However, this could have long-term consequences for ecosystems dependent on the Danube. The European Commission decided to open an infringement procedure by

<sup>(229)</sup> Umweltbundesamt, *Vorsorgecheck Naturgefahren im Klimawandel*, [Link](#).

<sup>(230)</sup> Klima- und Energiefonds, *Klimawandel-Anpassungsmodellregionen (KLAR!)*, [Link](#).

<sup>(231)</sup> Bundesministerium für Land- und Forstwirtschaft, Regionen und Wasserwirtschaft, *LIFE AMooRe – Austrian Moor Restoration*, [Link](#).

<sup>(232)</sup> Ministry of Agriculture, Regions and Tourism, 2021, *Austria's Water Treasure*, [Link](#).

<sup>(233)</sup> Austria's Court of Auditors, 2024, *Klimakrise – Herausforderungen für die Wasserwirtschaft in Niederösterreich*, p. 68, [Link](#).



sending a letter of formal notice to Austria in July 2024 for failing to comply with the Water Framework Directive regarding the surveillance of water rights <sup>(234)</sup>.

**Austria fully complies with the Urban Wastewater Treatment Directive, and with continued investment in water management, the country is well-positioned to achieve its broader environmental targets.** Austria has reached the target for collecting and treating urban waste water to fully comply with the Urban Wastewater Treatment Directive. However, significant investments are needed to ensure high-quality water management. Total annual water investment needs are estimated at EUR 1.5 billion, covering the water industry, protection and management. The largest portion, EUR 813 million, is for wastewater management, including costs from the revised Directive, with EUR 441 million needed for drinking water investments and EUR 224 million for water protection and management. Austria faces an annual water investment gap of EUR 389 million (0.09% of GDP) to meet environmental targets under the Water Framework and Floods Directives. Over half of the investment gap, or EUR 200 million annually, is related to waste water (see Graph A9.2).

there is an even greater increase of almost 6% in habitats reported as having a bad status. For species, there has not been much change compared to the previous reporting period, with 14.5% of species having a favourable status, 48.4% a poor status and 33.9% a bad status. This situation has implications for Austria's climate resilience, as the loss of biodiversity impairs ecosystems' ability to provide services that help mitigate the effects of climate change, such as regulating water cycles, maintaining soil health and sequestering carbon.

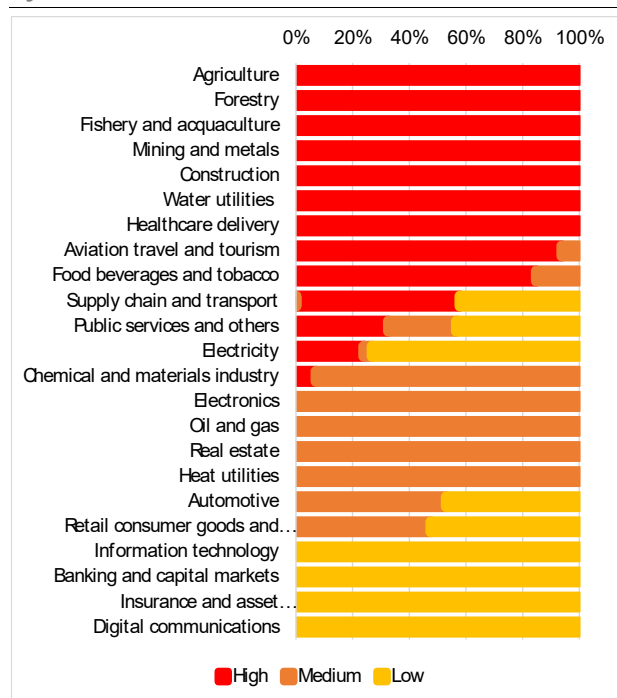
## Biodiversity and ecosystems

**Despite evident improvements in the level of site protection and increased restoration efforts over recent decades, the status of many habitats and species in Austria is still bad.** According to the most recent report on Article 17 of the Habitats Directive, covering 2013-2018, 18% of habitats are classified as having a favourable status, 35% a poor status, and 44% a bad status. Although habitats having a favourable status have increased by 4% compared to the previous reporting period,

---

<sup>(234)</sup> INFR(2024)2162.

Graph A9.1: **Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022**



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem service could cause production failure and severe financial loss.

(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).

**Source:** Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, [Link](#).

### Nature degradation creates significant risks to Austria's economy and competitiveness.

The overall dependency of Austria's economy is slightly above the EU average, with 46% of gross value added having a high direct dependency on ecosystem services. In particular, several sectors, such as agriculture, fisheries, construction and water utilities (see Graph A9.1), are highly dependent on ecosystem services, with 100% of the gross value added of these sectors directly dependent on ecosystem services. This means that failure to maintain the capacity of

ecosystems to deliver services could entail significant costs or even stop production in these sectors. Protecting and restoring key ecosystems would ensure that the long-term competitiveness of these economic sectors is preserved.

### Targeted action on nature protection and restoration is needed to meet Austria's nature restoration targets.

Taking into account both Natura 2000 and other nationally-designated protected areas, Austria legally protects 29% of its land areas (EU-27 coverage 26%). Austria is therefore on track to achieve its political commitment to protect at least 30% by 2030 and beyond, as outlined in its national biodiversity strategy <sup>(235)</sup>. At the same time, land take and soil sealing remain very high in Austria. Total land use in Austria was 5 648 km<sup>2</sup> in 2022. This corresponds to 6.7% of the country's area and 17.3% of the permanent settlement area <sup>(236)</sup>. While urbanisation and development pressures drive soil sealing, increasing awareness and policy shifts are helping to address and mitigate its negative impacts. Sustainable land management practices and smart urban planning are becoming central to reversing or lessening the trend in soil sealing. It remains to be seen whether the newly adopted 'Soil Strategy for Austria' will lead to a significant reduction in land take and soil sealing by 2030 <sup>(237)</sup>. Austria also needs to restore up to 5 624 km<sup>2</sup> of habitats listed in Annex I to the Habitats Directive, corresponding to up to 6.7% of its territory <sup>(238)</sup>. Austria requires EUR 1.3 billion of investment per year to effectively conserve and restore its natural capital,

<sup>(235)</sup> Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie, 2022, *Biodiversitäts-Strategie Österreich 2030+*, [Link](#).

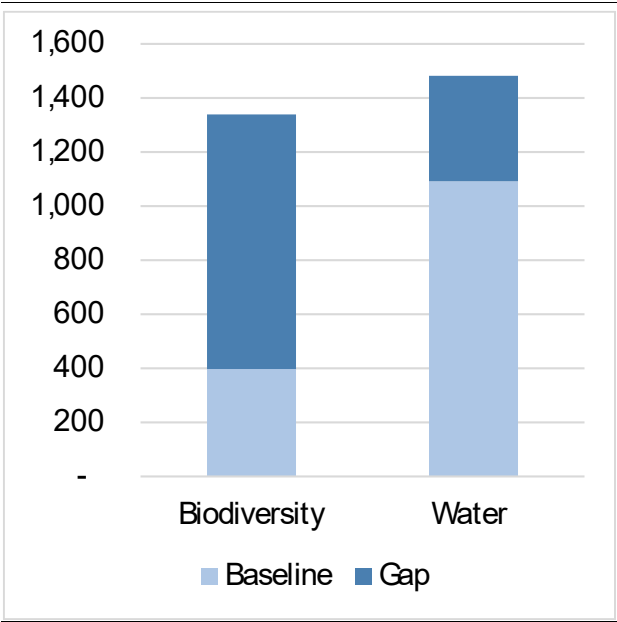
<sup>(236)</sup> Österreichische Raumordnungskonferenz, 2022, *Ergebnisse Österreich*, [Link](#).

<sup>(237)</sup> Österreichische Raumordnungskonferenz, 2024, *Bodenstrategie für Österreich*, [Link](#).

<sup>(238)</sup> European Commission, 2022, *Impact assessment accompanying the proposal for a Regulation on nature restoration*.

mitigate the impacts of climate change, and preserve the country's rich biodiversity (see Graph A9.2. The current level of financing for biodiversity and ecosystem conservation in Austria is around EUR 400 million, leaving a gap of EUR 900 million.

Graph A9.2: **Investment needs and gaps in EUR million, in 2022 constant prices**



**Source:** European Commission, DG Environment, Environmental investment needs & gaps assessment programme, 2025 update.

## Sustainable agriculture and land use

**Austria's carbon removals are in line with the level of ambition needed to meet its 2030 target for land use, land use change and forestry (LULUCF).** Austria's forests play a major role in carbon removals. To meet its 2030 LULUCF target, additional carbon removals of -0.9 million tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>eq) are needed <sup>(239)</sup>. Despite a declining trend in its carbon sink, projections for 2030 show that Austria will have a surplus compared to its target of -3.4 million tonnes of

CO<sub>2</sub>eq <sup>(240)</sup>. Therefore, Austria is on track to meet its 2030 target.

**Austrian agriculture is a source of greenhouse gas emissions and has a significant impact on air, water and soils, although a positive trend can be observed.**

In 2022, agriculture was responsible for a total of 7.3 million tonnes of CO<sub>2</sub>eq, which has decreased slightly since 2018, accounting for around 10% of the country's total emissions. This includes 1.5 million tonnes of CO<sub>2</sub>eq from livestock (also decreasing since 2018). Overall, agricultural emissions mainly stem from animal husbandry, soil and manure management. The utilised agricultural area (UAA) in Austria decreased during the last decade from 2 862 thousand hectares in 2013 to 2 599 in 2023. The analysis of the river basin management plan has identified nutrients from agriculture as a significant pressure for groundwater/surface water, affecting its good status. This is one of the main factors in the failure to meet the Water Framework Directive's objectives. According to data from the Nitrates Directive, 7.2% of groundwater monitoring stations in Austria recorded average nitrate concentrations above 50 mg/l between 2016 and 2019, exceeding the healthy threshold for human consumption. However, the gross nitrogen balance on agricultural land in Austria shows quite a positive trend, with 34.1 kg of nitrogen per hectare per year in 2019, more than 10 kg less than in the previous year. The livestock density index was 0.86 in 2020, thus above the EU average of 0.75 but with a decreasing trend, while ammonia emissions have been rather stable between 2012 until 2022 at around 63.6 thousand tonnes per year. The use of pesticides in Austria's agricultural sector, which is still comparatively low compared to the EU average due to a high percentage of organic farming, is on the rise, and the number of groundwater bodies not with a good chemical status due to pesticides has increased since the second river

<sup>(239)</sup> National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.

<sup>(240)</sup> Climate Action Progress Report 2024 COM/2024/498.

basin management plan. However, for surface water bodies pesticides were nowhere near exceeding the permitted thresholds.

Austria is transitioning to a sustainable food system by implementing policies to reduce the environmental impact of agriculture. In 2022, 4.4% of its agricultural land had landscape features such as woods and non-productive grasslands, below the EU average of 5.6%. In 2020, organic farming made up almost 26% of Austria's agricultural land. Under its common agricultural policy (CAP) strategic plan, Austria aims to reach 30% of UAA under organic farming by 2030. Several measures were introduced into the Austrian CAP strategic plan to improve soil fertility, carbon sequestration and nutrient management, and to strengthen biodiversity-friendly agriculture, thus contributing to climate change mitigation <sup>(241)</sup>. Austria's eco-schemes focus on soil and water protection, and from 2025 onwards agroforestry strips will be supported as well. Improving animal welfare is also one of the focus areas. Furthermore, the share of biodiversity-enhancing landscape features such as (fruit) orchard trees, bushes, hedges, flower strips and bee pastures will increase to cover over 10% of the agricultural land by 2030.

---

<sup>(241)</sup> Austrian CAP strategic plan, [Link](#).

Table A9.1: Key indicators tracking progress on climate adaptation, resilience and environment

Climate adaptation and preparedness:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Drought impact on ecosystems</b> [area impacted by drought as % of total]	6.98	2.32	0.26	2.66	9.55	0.07		6.77	2.76
<b>Forest-fire burnt area</b> <sup>(1)</sup> [ha, annual average 2006-2023]	94	94	94	94	94	94			
<b>Economic losses from extreme events</b> [EUR million at constant 2022 prices]	393	621	244	853	215	396		24 142	62 981
<b>Insurance protection gap</b> <sup>(2)</sup> [composite score between 0 and 4]	-	-	-	-	1.25	1.25			
<b>Heat-related mortality</b> <sup>(3)</sup> [number of deaths per 100 000 inhabitants in 2013-2022]	-	-	-	-	-	-			
<b>Sub-national climate adaptation action</b> [% of population covered by the EU Covenant of Mayors for Climate & Energy]	24	24	24	24	24	24		41	44

Water resilience:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Water Exploitation Index Plus, WEI+</b> <sup>(4)</sup> [total water consumption as % of renewable freshwater resources]	2.1	0.6	1.8	2.0	2.1	-		4.5	4.5
<b>Water consumption</b> [million m <sup>3</sup> ]	1 591	543	1 560	1 682	1 593	-			
<b>Ecological/quantitative status of water bodies</b> <sup>(5)</sup> [% of water bodies failing to achieve good status]									
Surface water bodies	-	-	-	49%	-	-		-	59%
Groundwater bodies	-	-	-	0%	-	-		-	93%

Biodiversity and ecosystems:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Conservation status of habitats</b> <sup>(6)</sup> [% of habitats having a good conservation status]	18.0	-	-	-	-	-		14.7	-
<b>Common farmland bird index</b> 2000=100	55.3	61.6	62.9	60.5	-	-		72.2	74.4
<b>Protected areas</b> [% of protected land areas]	-	-	-	29	29	-		-	26

Sustainable agriculture and land use:								EU-27	
	2018	2019	2020	2021	2022	2023		2018	2021
<b>Bioeconomy's added value</b> <sup>(7)</sup> [EUR million]	18 507	18 912	18 953	21 166				634 378	716 124
<b>Landscape features</b> [% of agricultural land covered with landscape features]	-	-	-	-	4	-			
<b>Food waste</b> [kg per capita]	-	-	136	134	131	-			
<b>Area under organic farming</b> [% of total UAA]	24.1	25.3	25.7	-	-			7.99	-
<b>Nitrogen balance</b> [kg of nitrogen per ha of UAA]	45.9	34.1	-	-	-	-			
<b>Nitrates in groundwater</b> <sup>(8)</sup> [mgNO <sub>3</sub> /l]	21.9	21.9	21.0	22.3	-	-			
<b>Net greenhouse gas removals from LULUCF</b> <sup>(9)</sup> [kt CO <sub>2</sub> -eq]	5 222	2 437	- 5 843	- 11 076	- 4 474	-		- 256 077	- 240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.

(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.

(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action. The Lancet Public Health.

(4) This indicator measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal or greater than 40% indicate situations of severe water scarcity.

(5) European Commission, 2024, seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).

(6) For this indicator, the EU average includes figures for the UK under the previous configuration, EU-28.

(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.

(8) Nitrates can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard sets a limit of 50 mg NO<sub>3</sub>/L to avoid threats to human health.

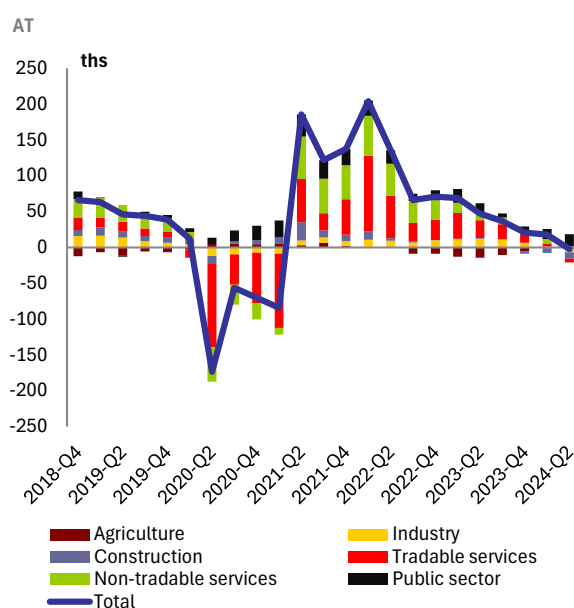
(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.

**Source:** Eurostat, EEA



**Austria's labour market continues to demonstrate resilience but faces increasing structural constraints.** Despite two years of recession, employment levels remain high. However, Austria's competitiveness and economic growth is hindered by significant labour and skills shortages, declining labour market matching efficiency, a high tax wedge on labour and the underrepresentation of some groups in the workforce. While the country is on track to achieve its 2030 employment rate target, harnessing the labour market potential of women, older workers, the low-qualified and people with a migrant background, and addressing skills and labour shortages, will be key for a more robust and inclusive labour market and thriving economy.

Graph A10.1: **Employment growth by sector**



Source: Eurostat, National Accounts [namq\_10\_a10\_e].

**Despite a second consecutive year of recession, Austria's labour market has remained broadly stable.** High inflation, declining investment, lower exports and weak private consumption have held back economic activity, keeping Austria's economy in an extended downturn. Notwithstanding these headwinds, the employment rate (20-64), at 77.4% in 2024, and the activity rate (15-64), at 78.2%, remained broadly unchanged from the

previous year. Employment continued to be marked by a large proportion of part-time work (30.7% vs 17.2% in the EU). As a result, the country remains slightly short of its 2030 employment rate target of 79.9%. Nevertheless, the sluggish economy is increasingly affecting the labour market. While employment is expanding in public administration and in the health, care and education sectors, which are less cyclically responsive, it is shrinking in the private sector, including manufacturing, with the sharpest decline in business-related services. In October 2024, unemployment increased in several sectors, including retail, construction, goods production and hotels and restaurants <sup>(242)</sup>. After reaching an all-time low of 4.8% in 2022, the unemployment rate (15-74) rose to 5.2% in 2024 (EU: 5.9%) and is projected to remain high in 2025 at 5.3%. Consistent with these developments, labour market slack, reflecting the unmet need for labour, increased from 10.1% in 2022 to 10.7% in 2024 (EU: 11.7%). Resilience in the labour market has been partly supported by a 0.9% decline in working hours per capita. The economic recovery anticipated in 2025 is projected to lead to an accelerated employment growth of 0.7% <sup>(243)</sup>, coupled with a marginal increase in the number of hours worked, as Austria faces a structural decline in working hours <sup>(244)</sup>. The simultaneous rise in employment and unemployment also suggests supply-side effects that can be attributed to migration and the gradual increase in women's statutory retirement age, from 60 to 65 between 2024 and 2033, to match that of men.

**Severe labour and skills shortages continue to weigh on the country's economic competitiveness, innovation and growth.** After reaching an all-time high of 5.3% in 2022,

<sup>(242)</sup> Arbeitsmarktservice Österreich, [Arbeitsmarktübersicht Dezember](#), 2024.

<sup>(243)</sup> WIFO, [Economic Outlook 2024 and 2025](#), 2024.

<sup>(244)</sup> See [Employment Outlook der OECD](#).





the job-vacancy rate in industry, construction and services fell to 4% in 2024, with the strongest reduction in services, in which there was a fall of 1.1 percentage points (pps). Despite declining economic output, the number of vacancies - around 167 000 - remains among the highest in the EU in relative terms, and the rate is well above the EU average of 2.4%. Overall, vacancy rates are higher in construction and services than in industry and remained particularly high in the metal industry and the IT and care sectors. In October 2024, the proportion of employers expecting labour shortages to limit their production was also higher in the service and construction sectors than in industry<sup>(245)</sup>. Shortages are likely to worsen in the coming years due to unfavourable demographic developments and the green and digital transitions, including changing skills requirements. A survey by the Wirtschaftskammer Österreich (WKO) indicates that, overall, 59% of companies were affected by labour and skills shortages<sup>(246)</sup>. These shortages undermine Austria's efforts to improve its competitiveness, as they hamper innovation and reduce revenues. Expanding digital and AI solutions, along with improved access to growth financing, are crucial to bridging the substantial gap between high labour demand and the scarcity of skilled workers<sup>(247)</sup> (see Annex 12).

**The number of hours worked continues to decrease, as part-time work, particularly among the high-qualified, is increasingly widespread and full-time workers work fewer hours.** Over the last decade, the number

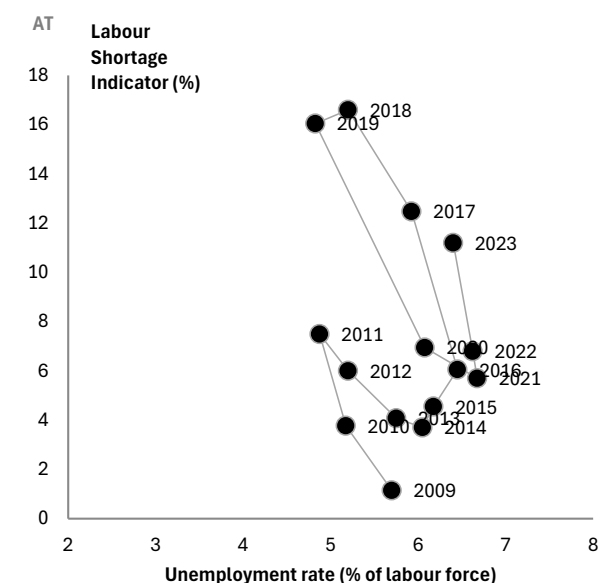
of average actual weekly hours worked per person fell from 35.8 hours in 2014 to 33.9 hours in 2024, with a notable dip (-1.6 hours) at the beginning of the COVID-19 pandemic from which they have not recovered. This decline can be attributed to two developments: i) in line with the rest of the EU, the number of actual weekly hours among full-time workers declined by 4.2% since 2019 to 39.1 hours in 2024. This reflects a long-term trend which is particularly pronounced among men. At the same time, working hours of part-time workers remained stable. Declining full-time work might partly be caused by labour hoarding on the demand side as companies try to hold on to skilled workers in a tight labour market, which also leads to a decreasing labour productivity. On the supply side, the effect might be driven by a change in preferences in working time since the COVID-19 pandemic. ii) Against the EU-wide trend, the share of part-time work increased in Austria over the same period by 3.2 percentage points. Contributing to the scarcity of skilled labour, over the past ten years the number of part-time workers increased by 56% among the tertiary educated, almost twice the rise in the EU. This is partly due to labour taxation, which discourages the transition from part-time to full-time employment, as Austria has one of the highest tax wedges on labour in the EU.

<sup>(245)</sup> European Commission, [European Business and Consumer Survey](#).

<sup>(246)</sup> WKO, [Unternehmensbefragung zum Arbeits- und Fachkräftebedarf/-mangel – Arbeitskräfteradar 2024](#), 2024. Companies were worst affected in personal services, food production, health and social care, as well as in the hospitality industry, construction and related trades, and in automotive trade including repair.

<sup>(247)</sup> Digitaloffensive Österreich, [Fachkräftemangel als Bedrohung für den Wirtschaftsstandort](#), 2024.

Graph A10.2: **Austria's Beveridge curve**



**Source:** Eurostat, LFS and European Commission, EU Business and Consumer Surveys [une\_rt\_q, ei\_bsin\_q\_r2]. Data seasonally adjusted.

**While an outward shift in the Beveridge curve indicates a long-standing decline in labour market matching efficiency, stark discrepancies in unemployment rates between regions indicate low labour mobility.** Over the past decade, Austria has experienced a constant increase in labour market tightness. Whereas vacancy rates rose steadily, aside from the current presumably temporary decline amid a prolonged recession, the unemployment rate hovered around 5%, leading to a structural outward shift of the Beveridge curve (Graph A8.2). This development, spanning all regions, can be attributed to an increasing inefficiency of the Austrian labour market to match labour supply and demand. This is particularly evident in the public sector (caused by worsening working conditions in the healthcare sector such as lack of staff and long working hours), and construction, hospitality, wholesale, retail, and industry<sup>(248)</sup>. There is also a partial lack of labour mobility in the country. This is illustrated

by the major discrepancy in unemployment rates (15-74) in 2023 between the capital region of Vienna, at 9.6% (98 000 or almost 41% of all unemployed workers), and the other regions, with the lowest unemployment rate being recorded in the Salzburg region at 3% (see Annex 17).

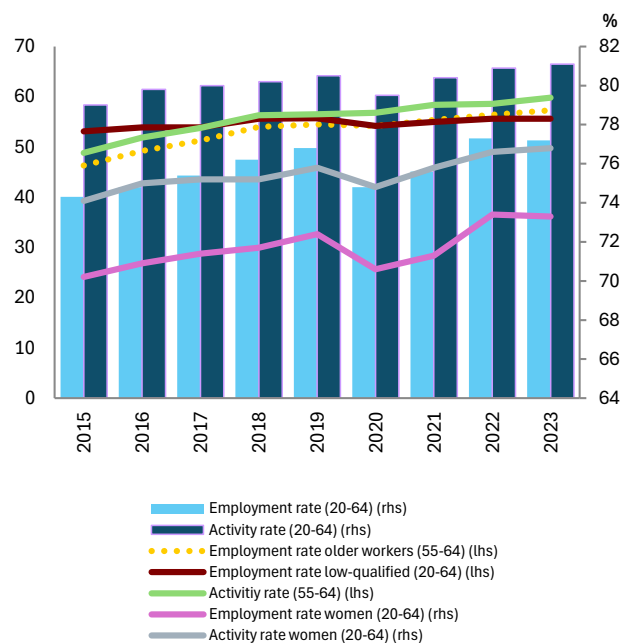
**Austria continues to have substantial untapped labour market potential among women due to high part-time employment and caregiving responsibilities.** In 2024, activity and employment rates for women were at a high level in absolute terms (74.2% and 73.9%, respectively), resulting in a comparatively narrow gender employment gap (6.9 pps). However, at 38.9 pps, Austria has one of the widest gender gaps in part-time employment in the EU, with more than half of women working part-time. Consequently, in terms of full-time equivalents, the gap in 2023 was three times larger (19 pps), significantly contributing to gender disparities. The unadjusted gender pay gap stood at 18.3% in 2023, and the gender pension gap was 34.4%, well above the EU average of 25.4%. These disparities stem largely from the high participation of women in unpaid care work and insufficient availability of and access to affordable and high-quality early childhood education and care (ECEC) (see Annex 12). In 2023, only 24.1% of children under 3 participated in formal ECEC (37.5% in the EU), far below the Barcelona target for Austria of 31.9%. A recent study suggests that raising ECEC participation to 45% for children under 3 from households in the bottom half of the income distribution could increase maternal labour market participation by 17%<sup>(249)</sup>. The government continues to implement measures to improve the availability and quality of ECEC, including improving the attractiveness of the teaching profession. In addition to other target areas, the *Zukunftsfonds* aims to improve and

<sup>(248)</sup> Christl, M. et al., The Effects of COVID-19 on Labour Market Matching in Austria: A Regional and Sectoral Perspective, Global Labor Organization (GLO), Essen, 2024.

<sup>(249)</sup> Narazani et al., [More childcare for the poor? Budgetary impacts and female labour supply responses in Italy, Austria and Hungary](#), Applied Economics Letters, 2024.

increase the availability of childcare services, including through a compulsory childcare quota. Moreover, based on an agreement between the federal government and the Laender, the government has agreed to a 40% rise in the contribution from the annual federal budget over five years (EUR 200 million), matched by an annual contribution of EUR 63 million from the regions.

Graph A10.3: Activity and employment rates



Source: Eurostat, LFS [lfsi\_emp\_q, lfsi\_educ\_q].

**Further improving the labour market participation and integration of low-skilled workers, older people, those from migrant backgrounds and persons with disabilities could ease labour market tightness.** In 2024, low-qualified people (at most compulsory schools - *Pflichtschule*) faced three times the risk of redundancy compared to those with professional qualifications <sup>(250)</sup>. Their employment rate of 57% in 2024 was 20.4 pps below the overall rate, and their proportion of the unemployed remains high (43.5% in July 2024), making them more vulnerable to structural shifts requiring new and better skills. Low levels of basic and digital skills remain a key obstacle to their labour market integration

<sup>(250)</sup> Arbeitsmarktservice Österreich, [Arbeitsmarktübersicht Dezember](#), 2024.

(see Annex 12). The employment rate of older workers (55-64) increased from 54.5% in 2019 to 58.8% in 2024, yet it remained well below the EU average of 65.2%. Despite significant gains in recent years, their activity rate, at 61.1% in 2024, also lagged behind EU rates (68.2%). Re-employment challenges are exacerbated by age preference on the part of employers and low levels of digital skills. Government measures such as the "Beschäftigungsinitiative 50+" [Employment Initiative 50+] (EUR 165 million annually) aim to facilitate reintegration through wage subsidies, social enterprises and job-related qualification. A substantial proportion of this assistance is devoted to promoting workplace employment promotion and company-related qualification in order to address skills mismatches. While the employment rates of EU-country nationals are similar to those of Austrian-born workers, employment is lower among people born outside the EU (66.3% in 2024). Measures such as the 'Intensivprogramm Arbeitsmarktintegration' have increased funding to integrate refugees. However, only 37.9% of displaced people from Ukraine aged 15-64 were active in the labour market as of March 2024, with considerable differences across regions <sup>(251)</sup>. In terms of work opportunities, this group may benefit from enhanced incentives to take up work and to improve language skills. In 2023, the employment gap between persons with and without disabilities increased to 26.1 pps, while Austria has not yet set up a target for employment of persons with disabilities.

**A high tax wedge on labour discourages longer working hours, resulting in a silent reserve and high part-time employment.** In 2024, 21.8%, or almost 1.3 million people, of working age (15-64) remained outside the labour force. Austria's tax wedge remains among the highest in the EU, hindering participation in the job market (see Annex 2). With a tax system heavily reliant on labour

<sup>(251)</sup> AMS, [Ukrainer auf dem Arbeitsmarkt](#), 2024.

income, the incentives to increase the hours worked are insufficient. As a result, at 30.7% in 2024, part-time work remained almost twice as high as in the EU (17.2%).

**Austria's recovery and resilience plan (RRP) and the European Social Fund Plus (ESF+) provide comprehensive support to the unemployed and those outside the labour force.** Tackling unused labour market potential, including by increasing incentives to work more hours for underemployed people and improving skill levels, may considerably contribute to addressing shortages and reaching the 2030 targets on employment and skills. Austria's RRP, with a total value of EUR 4.5 billion, focuses on addressing the skills needs of the low-skilled and long-term unemployed, increasing their chances of finding work. It is also aimed at expanding early childhood education and care so that women can return to the labour market. The ESF+ and Just Transition Fund (JTF) Employment programme in Austria (2021-2027) is intended to improve access to employment by providing people with the necessary skills and qualifications to thrive in the evolving labour market, while addressing social challenges and promoting a just transition to climate neutrality. The programme supports gender equality, encourages the participation of older workers and helps young people transition from school to employment. It also provides targeted support to regions undergoing significant transformation due to the transition to climate neutrality. Overall, the programme is expected to benefit over 27 000 people through various initiatives, including training, job opportunities and career counselling.

**Real wages rebounded markedly in 2024 but are expected to moderate in 2025.** Nominal wage growth is projected to reach 3.1% in 2025, significantly lower than in the previous years (5.0% in 2022, 6.6% in 2023 and 7.5% in 2024). In real terms, wages rose by 4.6% in 2024, and are projected to increase further by 1.0% in 2025, following decreases in 2022 and

2023 (by 3.3% and 0.6% respectively) <sup>(252)</sup>. The strong rebound in 2024 is due to both higher nominal wage growth and lower inflation (which decreased from 7.7% in 2023 to 2.9% in 2024). This recovery helped recoup losses experienced over 2022-2023. With wage growth expected to decelerate in 2025, unit labour costs (ULCs) are set to rise by 2.7%, in line with most other Member States, after stronger increases over 2023-2024 (respectively by 8.7% and 8.2%).

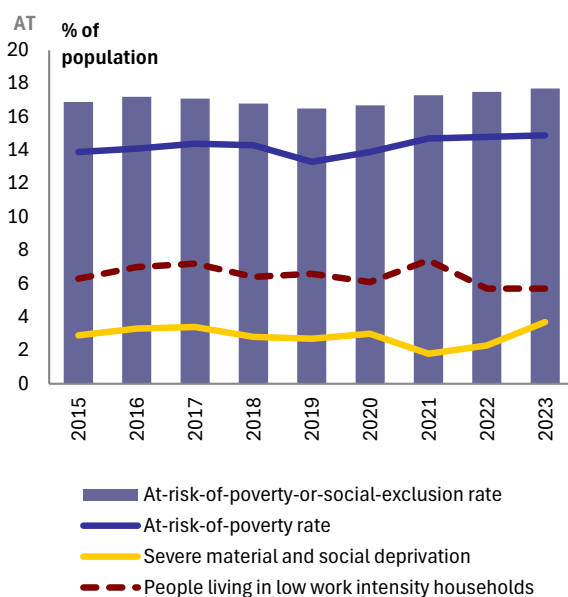
**Structural shifts driven by declining economic activity and digitalisation are reshaping Austria's labour market, necessitating swift workforce reactivation to manage job reallocation.** Structural transformations are having a detrimental impact on traditional sectors such as automotive industries, their suppliers and the metalworking industry, resulting in layoffs and reduced hiring, exacerbated by the recession and rising labour costs. In 2024, employment in Austria's energy-intensive industries accounted for 3.1% of total employment, while jobs in the green economy have expanded modestly. Between 2016 and 2022, employment in the environmental goods and services sector grew by 16.4%, reaching 4.8% of total employment (EU: 3.3%). The job vacancy rate in construction, a key sector for the green transition, is well above the EU average (5.9% vs 3.1% in 2024), highlighting significant shortages. The greenhouse gas emission intensity of Austria's workforce has improved, decreasing from 13.3 tonnes per worker in 2015 to 11.8 in 2023 (EU: 12.3), reflecting progress on the green transition. In turn, the country is performing above the EU average in digital skills, with 72.23% of the population (25-64) having at least basic digital skills in 2023 (EU: 64.74%).

---

<sup>(252)</sup>Based on the European Commission Autumn 2024 economic forecast.

**Austria has a traditionally strong welfare system and social conditions remain good overall.** However, recent periods of high energy prices and elevated inflation have put its social protection system under strain leading to negative developments, notably increasing poverty risks. This will require close monitoring and adequate policy responses, not least in order to reach its 2030 national target on poverty. The heightened risks of poverty and social exclusion for children, single parents, those with a migrant background, and older people, warrant particular attention. In addition, some of the social allowances, in particular unemployment benefits have not been adjusted for inflation while others like the top-up amounts for pensions leave individuals below the poverty line even after such adjustments. Maintaining and adapting the social protection system to evolving needs will help Austria's sustainable and inclusive growth and prosperity.

Graph A11.1: AROPE rates



Source: Eurostat [ilc\_peps01n, tespm030, tespm010].

**While the at-risk-of-poverty or social exclusion (AROPE) rate was reduced, the share of people suffering from severe material and social deprivation doubled and income inequality is rising.** Even though Austria managed to reduce the AROPE rate by 0.8 pps to 16.9% in 2024 standing well below

the EU average of 21.0% some specific dimensions of poverty worsened. The share of people suffering from severe material and social deprivation, meaning those unable to afford seven out of fourteen essential goods, more than doubled, increasing by 1.4 pps to 3.7% (336 000 people) in 2024 since 2022. This was accompanied by a 40% increase in the demand for food banks between 2022 to 2023<sup>(253)</sup>. Also, the share of people with an equivalised disposable income (after social transfers) below the at-risk-of-poverty (AROP) threshold remained elevated and continuously rose from 13.3% in 2019 to 14.9% in 2023. Two years of recession in the context of high inflation and elevated energy prices has led to rising levels of inequality. While in 2021 the wealthiest income quintile was earning 4.00 times more than the poorest income quintile, the factor increased to 4.34 in 2024, nearing the EU average of 4.66. Although below the EU average, 21.5% of persons with disabilities were at risk of poverty and social exclusion in 2023.

**Women and in particular single parents have been particularly affected by higher poverty levels.** At 18.1%, women face a 2.4 pps higher AROPE risk than men – a gap that has doubled since 2015. This is in part driven by persistently high gender gaps in part-time employment, lower employment rates of women, and gender gaps in pay amounting to 18.3% less hourly earnings for women compared to men (see Annex 10). These gender disparities in the labour market are partly based on an insufficient availability of and access to affordable and high-quality early childhood education and care (ECEC), hindering women to enter the labour market. A lack of adequate ECEC affects in particular single parent households, 83% of which are women. Since single parents need to pay fixed costs (rent, heating) on their own, they face significantly higher expenses leading to high

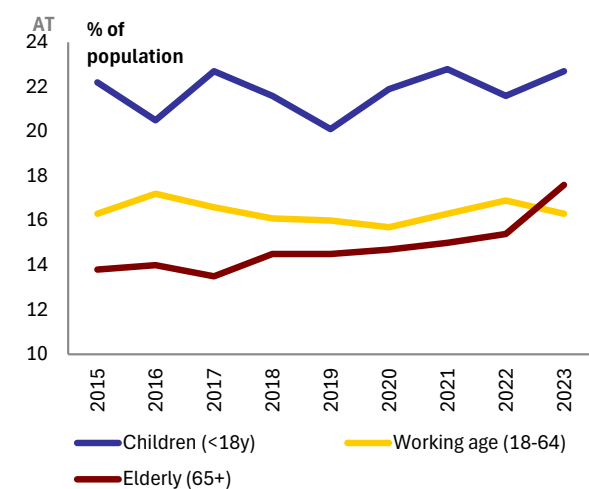
<sup>(253)</sup>OTS, [Die Tafel Österreich: Erstmals über 1.000 Tonnen Lebensmittel gerettet und mehr als 35.000 armutsbetroffene Menschen versorgt](#), 2024.





AROPE levels of 42.5% in 2024. The stark difference to a two-parent household can be further observed in relation to the ability to afford essential goods. While only 2.7% of households with children suffer from severe material or social deprivation, 11.9% of single households with children experience deprivation. With every additional child, the risk increases disproportionally from 3% with two children to 8% with three children. While the roll out of more ECEC facilities with longer opening hours has steadily increased over the past years, further efforts would be beneficial to enable single parents and mothers to participate in the labour market and reduce poverty risks. Supported through EU cohesion funds and EUR 15 million under the Recovery and Resilience Facility, the measure 'Early Aid' supports in particular socially disadvantaged pregnant women. It aims to improve the development and health outcomes of children and parents throughout the life course, encourage preventative approaches and secure children's rights to protection and good health.

Graph A11.2: AROPE rates by group



Source: Eurostat, EU-SILC [ilc\_peps01n].

**One in five children in Austria lives below the poverty line.** In 2024, 20.9% (EU: 24.2%) or 344 000 children were affected by poverty or exclusion. This translates into a higher share of children being AROPE compared to the general public (16.9%). The risks are more pronounced for children with a migrant background and for those in precarious family situations. By 2030,

Austria aims to reduce the number of children experiencing poverty or social exclusion risks by at least 102 000 compared to the 2019 level of 312 000. With currently 344 000 children AROPE in 2023, Austria is however moving away from its target. Children affected by poverty are more likely to lack adequate education, health provision, adequate housing and healthy nutrition. To mitigate the impact of poverty on children, Austria is implementing the European Child Guarantee under its action plan of December 2023. The 2024 biennial implementation report shows considerable progress made in some areas, e.g. prevention of early school leaving and promotion of healthy nutrition. At the same time, stepping up efforts to provide free full-time childcare for vulnerable children would be beneficial. Reducing child poverty and improving opportunities for children, particularly from disadvantaged backgrounds positively contributes to a more educated and skilled workforce, boosting economic competitiveness in the medium to long term. Under the ESF+ funded programme to fight material deprivation, the "Schulstartklar" project supports students from low-income families as they begin the new school year. Eligible pupils receive vouchers worth EUR 150, which can be used to purchase school supplies promoting both autonomy and providing targeted assistance. The programme aims to support around 50 000 pupils in need per year.

**People with a migrant background experience significantly higher poverty risks.** Although figures have decreased since last year, still 42.1% of third-country nationals are AROPE in 2024 (EU: 43.8%). Taking the general figures into account, stark differences by citizenship can be observed. People not born in Austria are almost three times more likely to be at risk of poverty compared to Austrian nationals (32.6% vs 11.1% respectively). Having a migration background therefore still plays a crucial role in determining poverty risks. While limited opportunities in the labour market in light of institutional, language and skills barriers as well as a lack of

recognition of qualifications contribute to elevated poverty risks, many people with a migrant background also experience discrimination. Based on recent surveys by the Fundamental Rights Agency (FRA), in 2023, 72% of surveyed people of African descent felt racially discriminated in the five years leading up to the survey – up from 51% in 2016. Moreover, 59% felt discriminated when looking for work (vs 34% EU <sup>(254)</sup>) and 66% of Muslim belief reported to experience discrimination in general <sup>(255)</sup>. Whereas this has fundamental impacts on the individual concerned, it may also impact social cohesion and economic prosperity. In light of an ageing society and significant shortages of labour as well as skilled workers which potentially requires legal migration (see Annex 10), continued efforts are needed to integrate newcomers.

**Poverty levels for older people rose, with older women being disproportionately affected.** The AROPE rate of people aged sixty-five years experienced a sharp increase in 2023 nearing the EU average of 19.7% and currently settled on 16.9% in 2024. As such, 278 000 older people were AROPE. This might in part be driven by a loss in earnings-related pensions by more than 5% in real terms for 2023 within the context of high inflation <sup>(256)</sup>. At the same time, the gross median individual pension income (65–74) relative to the gross median individual earnings from work of the population (50–59), the aggregate replacement ratio, in Austria dropped from 0.61 in 2021 to 0.55 in 2024. Significant gender disparities can also be observed here, as gender disparities like unequal payment compound over the working life and result in one of highest gender pension gaps (65-79) in the EU (35.1% in 2023). AROPE level for older women reached 20.1% in 2024, compared to 12.9% for men. On average women in Austria leave the labour market two or more years before men, further contributing

to their pension disparities. Pension top-up payments called “Ausgleichszulage” are in place to reduce the AROPE risk but fail to lift households above the poverty line. As the top-ups are significantly lower for a single person than for couples, single women are due to lesser working years resulting in lower pensions at a higher risk to live in poverty than men.

**Sustained efforts are needed to reach the national poverty reduction target by 2030.**

Austria committed to reduce the number of people living AROPE by 204 000 in 2030 compared to 2019 levels. Recent crises and the related unfavourable recessive economic environment have set back Austria in its ambition, leading instead to an increase of 158 000 people AROPE since 2019. While the easing of inflationary pressures and recent measures starting to bear fruit might help Austria advance in its efforts to reach the 2030 poverty target, particular policy attention is warranted and further efforts might be needed. Essential for its success is not only the specific targeting and support of vulnerable groups but also sustaining and adapting Austria’s traditionally strong welfare state. In 2024, social transfers have reduced the risk of poverty or social exclusion by 40.7%. While the impact has decreased over the past years and is now considerably closer to the EU average (from 16.8 pps difference in 2019 to a 6.3 pps difference in 2023) social transfers have still been able to prevent more than 1.3 million people from living below the poverty line.

**Coverage of long-term care needs is high, which is important to support living standards of older people, but the system faces long-term fiscal sustainability concerns.**

Older people face a greater likelihood of illness and in turn increased expenses for long-term care (LTC). Therefore, the ageing of the population is projected to increase long-term care expenditure, leading to long-term fiscal sustainability concerns (see Annex 1). Reformed in 2023, the new regulations increased the adequacy of service provision in view of an ageing population,

<sup>(254)</sup> FRA, [Being Black in the EU](#), 2024.

<sup>(255)</sup> FRA, [Being muslim in the EU](#), 2024.

<sup>(256)</sup> See [2024 Pension Adequacy report](#).



signalled ambitious measures to increase attractiveness of care professions and announced plans to alleviate the situation of caregiving relatives. The Austrian recovery and resilience plan (RRP) funds investment in community nurses, and primary care units with multi-professional teams. Nevertheless, further efforts are needed to improve the working conditions of live-in carers (24h Betreuung) who are almost entirely self-employed and may lack unemployment insurance, sickness benefits or means for quality assurance of working conditions. **House prices have increased over the last decade, but recently stabilised after falling in 2023.** Overall, house prices have increased by 60% since 2015 in nominal terms. In recent years, they decreased by 2.9% in 2023 and decreased further in the first half of 2024 before stabilising (+0.7% year-on-year in Q3-2024). The recent moderation follows years of noticeable growth and is driven by the adjustment to higher interest rates. Despite recent decreases, house prices are estimated to be overvalued by around 15% (as of the end-2024). Mortgage rates increased from 1.2% in 2021 to 3.9% in 2023, impacting mortgage credit that shrunk by 2.4% in 2023. The adjustment to higher interest rates resulted in the number of house transactions declining by 17.0% and 26.4%, while that of building permits by 18.4% and 33.8% in 2022 and 2023 respectively (see Annex 17).

**Overall housing affordability has decreased over the past decade.** House price growth has exceeded the pace of household income over the past decade and the standardised house price-to-income ratio has increased by 22% since 2015. It had increased by 34% between 2015 and 2022 before easing in 2023. Taking into account the cost of mortgage funding, the borrowing capacity of households worsened over the past decade as well since an average household needs a significantly higher share of its annual income for mortgage repayments. Having rather large rental market, the ratio of new rents to incomes increased over the last decade especially in the city centres.

**Housing cost overburden affects few people in Austria.** In 2024, only 6.3% of the population faced housing costs above 40% of their total disposable household income (net of housing allowances) compared to 8.2% in the EU. It was more prevalent in cities (12%) than in rural areas (3%) and five times higher among those below the poverty threshold. The housing-cost overburden rate among people experiencing poverty risks was 35.5% in 2024, exceeding the EU average of 31.1%. According to the recent EU SILC module on renting difficulties, 11% of people experienced housing difficulties, with this share rising to 24.1% for the AROPE population. According to the latest available administrative data for 2022 <sup>(257)</sup>, almost 20 000 people are homeless in Austria, of which 69% are men and 21% are women. Since October 2024, the Ministry of Social Affairs' Housing First programme has been supporting the homeless by providing affordable housing in conjunction with social work care. In addition, rental costs can be covered from the programme's funds and needs-based start-up support can be granted. The programme's budget is EUR 20 million and is expected to give around 2 500 people their own apartment over the next two years.

**Despite recent increases, energy poverty remains overall low in Austria.** The share of the population unable to keep their homes adequately warm is significantly below the EU average (4% in 2024 compared to 9.2%). However, it is worth noting that the recent energy crisis has negatively impacted this indicator. Similarly, 5.3% of individuals faced arrears on utility bills in 2024, a 2.9 pps increase since 2021. However, it remains below the EU average of 6.9%. Structural issues in dwellings, such as leaks, damp, or rot, affected 10.5% of the population in 2023, standing below the EU average of 15.5% but showing room for improvement. Austria is addressing energy poverty through various measures under its

---

<sup>(257)</sup> Statistik Austria, [Kennzahlen zu Lebensbedingungen 2022](#), 2023.

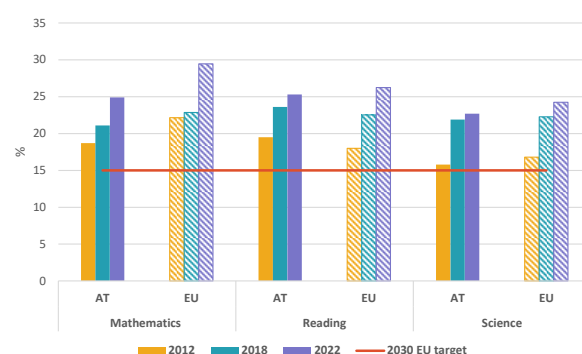
National Energy and Climate Plan with a focus on energy efficiency and targeted support for low-income households. These measures include the “Clean Heating for All” programme, providing up to 100% funding for boiler replacement in low-income households, and the “Climate-Fitted Buildings for Vulnerable People” initiative, which supports thermal renovations and the installation of climate-friendly heating systems. Austria also promotes energy savings through advisory services and appliance replacement for low-income households.

**Increasing shortages of skilled labour, stagnant participation in adult learning and decreasing basic skills are increasingly threatening the competitiveness and innovation capacity of the Austrian economy.** Driven by the transition to an increasingly services-dominated, digital and green economy, the demand for high-skilled labour is rising. Austria has a well-developed vocational education and training (VET) system and high tertiary educational attainment rates, including in STEM and ICT. However, worsening basic skills among students, notably driven by socio-economic inequalities, and an unmet demand for ICT specialists, threaten to impede Austria's productivity and competitiveness. To sustain fair growth and increase innovation capacity, it is thus urgent to improve educational outcomes and skills formation, particularly among disadvantaged groups and those furthest from the labour market and to further strengthen the development of basic and STEM skills at every stage from early childhood education and care to adult learning.

**Low and stagnant participation in early childhood education and care (ECEC) and wide inequalities in terms of quality affect foundational learning.** In 2023, enrolment in ECEC for children aged between three and compulsory primary education age was 91.2%. This is below the EU average (94.6%) and below the EU-level target of 96% by 2030. The lowest participation rate was in Styria (83.2%), while the highest was in Lower Austria (97.6%). As regions and municipalities are responsible for providing ECEC services in Austria, their quality varies across institutions and across regions. Participation among children below three years was 30.2%, significantly lower than the EU average (39.3%), also hampering women's participation in the labour market (see Annex 10), and vary by region. A recent spike by 6.1 pps from 2023 to 2024<sup>(258)</sup>, could signal

a lasting increase while participation has broadly stagnated since 2015 (22.3%) and remains below the national Barcelona target of 31.9%. The scope for expanding ECEC places and services is restricted by staff shortages. A recent study estimates that there will be a lack of at least 13 700 staff until 2030<sup>(259)</sup>. Students can opt for a career in ECEC at an early age (14 years) and have the right to access higher education upon graduation. However, about half of graduates never enter the profession but pursue alternative career paths after graduation<sup>(260)</sup>. Austria's recovery and resilience plan contains investments to improve access to ECEC. A funding agreement between the government and the *Laender* also supports ECEC services until 2026/2027. While aiming to improve quality, it falls short of setting compulsory quality standards. The 2024 financial equalisation law redistributed EUR 3.4 billion to regions with low resources, among other things enabling municipalities to invest in ECEC. The law also foresees EUR 500 million per year for creating 50 000 ECEC places by 2030, though this sum falls short of the financial needs<sup>(261)</sup>.

Graph A12.1: Underachievement rates by field, PISA 2012, 2018 and 2022 (%)



Source: OECD, PISA (2022).

<sup>(258)</sup> The Barcelona target uses survey data from the EU statistics on income and living conditions (EU-SILC). These show fluctuations in the past. National Statistics Austria based on register data shows higher rates

<sup>(259)</sup> Löffler, R., et al., [Bildungs- und Berufsverläufe von Absolventen/inn/en der Bildungsanstalten und Kollegs für Elementarpädagogik](#), 2022.

<sup>(260)</sup> Wirth, K, et al., [Personalknappheit im Bereich der Elementarpädagogik](#), KDZ, 2023.

<sup>(261)</sup> ECO Austria, [Kosten des flächendeckenden Ausbaus der Kinderbetreuung in Österreich](#), 2021.

**Worsening basic skills among young people hamper skills development later in life, posing a risk for productivity and competitiveness.**

In the 2022 OECD PISA survey <sup>(262)</sup>, 24.9% of 15-year-olds underperformed in mathematics, 25.3% in reading and 22.7% in sciences, significantly influenced by their socio-economic background. At the same time, the share of top-performing students across all three subjects remained above the EU average. Both underachievement and the average performance have been worsening since 2012. Almost half of underachieving children are from disadvantaged or migrant backgrounds. Underachievement among disadvantaged students has grown steadily in mathematics from 35.1% in 2012 to 45.1% in 2022. Similarly, 45.4% of students born abroad are under-achievers. A high and increasing share of students with a migrant <sup>(263)</sup> and often also disadvantaged background poses challenges (such as language barriers) for teaching, while schools continue to report a lack of resources needed to deal with these challenges <sup>(264)</sup>. Moreover, the effectiveness of the language support scheme could be further improved. The share of early school leavers is 8.1%, below the EU average (9.3%), although much higher among foreign-born (15.2%) than native-born students (6.2%). This share is higher in cities (10.4%) than in towns and suburbs (8.6%), and rural areas (4.7%). The proportion of eighth-grade students who are low-achievers in computer and information literacy in Austria is 39%, below the EU average (43%), but well above the target of 15%.

**Austria continues to implement a wide range of reforms to improve the performance of the education system.** For example the pedagogy package, new curricula, competence assessment and a new system of

quality management all have the potential to improve education outcomes. Austria puts specific focus on literacy, which is supported through a holistic approach as a cross-curricular topic, accompanied by a competence profile for teachers on literacy. Nevertheless, a more targeted support for disadvantaged students and schools would be important.

**The ageing teaching workforce means new teachers must be recruited in sufficient numbers to counter shortages.**

While the number of 6 to 14-year-old pupils continues to increase markedly, about a fifth of primary school teachers and about a quarter of middle school teachers are over 55 years old and will retire over the next decade. High part-time rates (33%) and changes in the student composition requiring additional staff <sup>(265)</sup> also contribute to the lack of teachers. Shortages vary by subjects and regions. While demand for teachers increased in 2023/24, a smaller share of teacher graduates (50.5%) and fewer student teachers (18.8%) were hired. Meanwhile, the share of lateral entrants increased to 8.4% and that of special contracts (persons with neither finished initial teacher education nor lateral qualifications) increased to 22.3% <sup>(266)</sup>. Austria is promoting teaching through its 'Klasse Job' campaign and facilitating lateral entry into the profession. However, significant scope for further measures remains.

**Austria has a well-developed VET system with extensive work-based learning, but increasing underachievement in mathematics among students represents a challenge.**

In 2022, almost 70% of medium-level students were enrolled in programmes with a vocational orientation. The overwhelming majority (91.2% in 2023) of recent VET graduates gained work-based experiences and successfully transferred into employment (89.2% in 2023). However, weaknesses in skills development, partially caused by declining levels of basic skills and

<sup>(262)</sup> OECD, [Programme for International Student Assessment \(PISA\)](#), 2023.

<sup>(263)</sup> Between 2010-2021 the number of children with migrant background has increased by a third to 27.6%.

<sup>(264)</sup> See OECD PISA 2022, Table II.B.1.3.3.

<sup>(265)</sup> BMBWF, [Bildungsbericht 2024](#).

<sup>(266)</sup> Schnider A, (2024) Lehrkräftemangel in Österreich.

increasing socio-economic inequalities, increasingly discourage companies from offering work-based learning<sup>(267)</sup>. Two in three companies surveyed considered the lack of basic skills in mathematics as the main obstacle to a successful apprenticeship<sup>(268)</sup>. To close knowledge gaps, the government (co-financed by ESF+) added the 'AusbildungsFit' programme to the apprenticeship guarantee. This initiative focuses on providing basic skills and coaching. Moreover, Austria has established the program 'Lehre statt Leere' (coaching for apprentices and training companies). The program provides individualised support to prevent drop-out, address learning gaps and guide students towards successful apprenticeship completion.

**Austria has undertaken policy measures to further develop the non-academic tertiary sector and make dual vocational training more attractive.** The 2024 Federal Act on Higher Vocational Education and Training (*Höhere Berufliche Bildung*) supports the development of new tertiary vocational qualifications to meet the needs of the labour market and incentivises professional development. It is primarily aimed at workers skilled through vocational training or with industry-specific work experience. Moreover, it is among others targeted at areas such as energy efficiency, heating technology, e-mobility, construction and renovation, tourism, and metal technology. The first qualifications are expected to be offered in 2025. This provides a path for higher vocational qualifications after an apprenticeship, making the apprenticeship route more attractive by creating vocational degrees equivalent to general and university-level education. Skilled workers can earn these degrees while working and advance into specialist and leadership roles.

---

<sup>(267)</sup>According to ÖGB work-based apprentices decreased by 13.6% between 2012 and 2022.

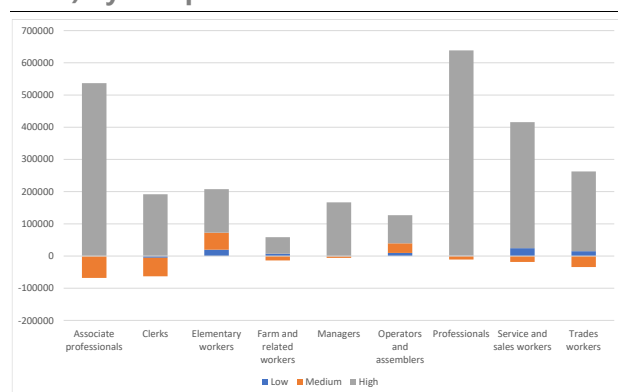
<sup>(268)</sup> According to a 2019 study of the Federal Ministry of labour.

**Tertiary educational attainment is increasing, but regional variations remain and gender disparities are increasing.** In 2024, 44.1% of young people (25-34) held a tertiary education degree, indicating that clear progress is being made towards achieving the 45% EU-level target. Although small in relative terms, the gender gap in tertiary education has widened since 2012 and stood at 11.9 pps in favour of women. Over the last decade, tertiary attainment more than doubled (from 22.8% in 2012). The share of tertiary education students (ISCED 5-8) in STEM (science, technology, engineering and mathematics) disciplines is 29.5%, slightly above the EU average (27.1%). Similarly, the share of students in ICT (6%) also exceeds the EU average (5.2%). Austria aims to further improve credit and graduate mobility and to increase international cooperation. Its National Mobility and Internationalisation Strategy for Higher Education 2020-2030 supports mobility for all groups in higher education and fosters the concept of internationalization of the curriculum. New legislation facilitates international cooperation by introducing short-term mobility and micro-credentials.

**Austria supports STEM programmes and measures in the field of education.** In 2022, 39.8% of pupils enrolled in medium-level VET were enrolled in STEM fields. The country encourages schools and universities to provide STEM in education according to emerging needs of the labour market. Austria has introduced the action plan 'MI(N)Tmachen' to increase young people's engagement in STEM as part of promoting STEM among the public. Another focus is addressing the shortage of skilled workers in these areas. The action plan combines existing STEM initiatives with new measures and addresses the entire educational chain from kindergarten to teaching, school or higher education. The Austrian 2030 Strategy for Research, Technology and Innovation aims to increase the share of STEM graduates by 20% to about 19 500 by 2030, thus helping boost Austria's economic competitiveness and prosperity.

**Bolstering skills development is crucial for competitiveness and tackling increasing skills shortages, as future employment needs predominantly require high qualifications.** In 2023, a majority (54%) of Austrian firms identified the lack of adequate skills within the workforce as a key constraint for business activities and 88% of SMEs struggled to find employees with the right skills. Shortages of skilled labour are projected to increase considerably in the years ahead. According to the European Centre for the Development of Vocational Training (CEDEFOP), Austria's future employment needs from 2022 to 2035 will require a workforce with high qualifications. Meanwhile the demand for medium-level qualifications will decrease, reflecting structural changes in the Austrian economy in the context of the digital and green transitions <sup>(269)</sup>. By 2035, it is anticipated that 2.45 million workers will be needed in occupations requiring high-level education, alongside 70 000 workers in roles necessitating low-level qualifications. Conversely, occupations requiring medium levels of qualification are expected to shrink by 124 000 – see Graph A10.2.

Graph A12.2: **Future employment needs (2022-2035) by occupation and education level**



**Source:** CEDEFOP, Skills forecast 2023 - Austria.

**Basic and digital skills are widespread, but those with lower qualifications are falling behind.** According to the OECD Survey of Adult Skills (2022-23), Austrian adults

performed above the OECD average in numeracy and adaptive problem solving, while they ranked below the average in literacy. Literacy also decreased compared to the previous period. Almost one in three adults demonstrated proficiency only at Level 1 or below in literacy (29%), and around one in four struggled in numeracy (23%) and with adaptive problem solving (27%). These low-performing adults are limited to basic tasks, such as understanding short texts or performing simple mathematical calculations, highlighting significant gaps in foundational skills. Austria also experienced a significant widening in the proficiency gap between adults with less than upper secondary education and those with tertiary education. This points to increasing challenges in basic skills among adults and calls for policy attention. At the same time, Austria is above the EU average in digital skills. 72.23% of the population (25-64) have at least basic digital skills in 2023, compared to the EU average of 64.74%. However, basic digital skills are low among people who have lower qualifications (37.2%) and the country faces challenges regarding advanced digital skills. Only 32.0% of the population have above-basic digital skills, placing Austria behind the EU's front-runners.

**Austria's lack of ICT experts is negatively impacting competitiveness.** The 5.3% share of ICT specialists in employment exceeds the EU average of 4.8%, but recruitment difficulties persist. The Austrian Federal Economic Chamber claims a shortfall of 28 000 ICT experts in the labour market <sup>(270)</sup>. Women remain under-represented, with only 19.5% of ICT specialists being female (EU average: 19.4%). As regards basic digital skills, Austria has set one of the most ambitious national targets in the EU, aiming to have 100% of the population aged 16-74 with at least basic digital skills by 2030, well above the EU target of 80%. The digital literacy campaign 'Digital überall' run by adult education

<sup>(269)</sup> CEDEFOP, [Skills forecast 2023 – Austria](#).

<sup>(270)</sup> See WKO, [Branchennews Februar 2024](#).



institutions aims to raise the level of digital skills. However, given the current rate of progress, achieving full digital inclusion by 2030 will require sustained efforts and targeted policy measures. Current skills shortages in the IT sector also constitute a particular threat to the competitiveness and innovation of Austria's economy and developments in the highly competitive AI sector.

**Adult learning is stagnating.** While a majority of the working-age (25-64) population took part in training (52.2%) in 2022 (EU 39.5%), participation in adult learning decreased by 3.1 pps compared to 2016 and remained well below the 2030 national target of 62.0%. A strong adult learning system is key for the labour market integration of some groups with lower labour market attainment by providing them with the necessary skills. The low and decreasing participation rates among the low-qualified continues to pose a particularly significant challenge, considering the widespread labour shortages. In 2022, only 21.4% of those with at most lower secondary education participated in training (down from 26.9% in 2016). This is particularly problematic, as they face higher risks of unemployment and job reductions due to the digital and green transitions (see Annex 10). Participation is also low among persons outside the labour force (34.5%) and older workers (55-64) (39.8%).

**There is an increasing need for upskilling and reskilling to address shortages of skilled labour.** Providing tailored upskilling and reskilling to these groups is key for their finding lasting work. In this regard, the former 'Bildungskarenz' (unpaid educational leave), which is supplemented with a financial allowance, remains an important pathway and incentivises life-long learning. The programme 'Level Up-Erwachsenenbildung' helps participants acquire basic digital skills as well as basic writing, reading and mathematical skills. Austria experiences challenges in reaching the low-qualified and motivating them to participate in training. Fully using the work experience of older workers leaving the labour

market is essential for the green transition <sup>(271)</sup>. General funding for adult education lags behind the needs in the labour market <sup>(272)</sup>. However, the share of the education budget spent on adult education has decreased compared to previous years.

**The broader need for upskilling and reskilling the current workforce includes developing green skills crucial for Austria's green transition.** In 2024, Austria had labour shortages for several occupations (including civil engineering technicians, roofers, and air conditioning and refrigeration mechanics) requiring specific skills related to the green transition. In this context, new primary and secondary school curricula including environmental education for sustainable development were introduced in 2023/2024. They integrated environmental education for sustainable development as one of 13 cross-curricular themes. Moreover, the initiative 'Mehr Grips' also supports the provision of skills to address labour market needs for the green transition (such as installation and energy technology, building renovation) and second careers through further training. The updated list of shortage occupations now includes green jobs in the mobility sector.

---

<sup>(271)</sup> Majcen, M. (2024). [AMS-New Skills Talks. In: AMS Info 653](#)

<sup>(272)</sup> See Evers, J. (2024). Die Volkshochschulen nach den Nationalratswahlen 2024, forthcoming.



Table A13.1: Social Scoreboard for Austria

Social Scoreboard for Austria						
Equal opportunities and access to the labour market		Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)			52,2	
		Early leavers from education and training (% of the population aged 18-24, 2024)			8,1	
		Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)			64,7	
		Young people not in employment, education or training (% of the population aged 15-29, 2024)			9,2	
		Gender employment gap (percentage points, population aged 20-64, 2024)			6,9	
		Income quintile ratio (S80/S20, 2024)			4,34	
Dynamic labour markets and fair working conditions		Employment rate (% of the population aged 20-64, 2024)			77,4	
		Unemployment rate (% of the active population aged 15-74, 2024)			5,2	
		Long term unemployment (% of the active population aged 15-74, 2024)			1,1	
		Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)			98,5	
Social protection and inclusion		At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)			16,9	
		At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)			20,9	
		Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)			40,7	
		Disability employment gap (percentage points, population aged 20-64, 2024)			20,7	
		Housing cost overburden (% of the total population, 2024)			6,3	
		Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)			30,2	
		Self-reported unmet need for medical care (% of the population aged 16+, 2024)			1,0	
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

(1) Update of 5 May 2025. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2025 for details on the methodology (<https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0>).

Source: Eurostat



## ANNEX 14: HEALTH AND HEALTH SYSTEMS

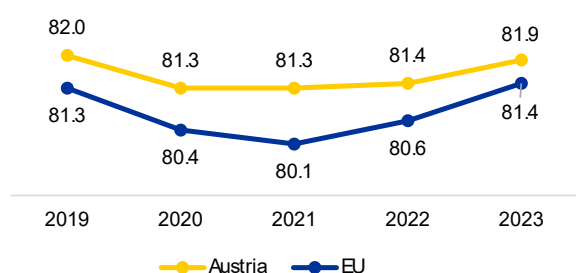
**Austria's health system performs comparatively well, with relatively low rates of treatable and preventable mortality.**

However, Austria faces challenges with the sustainability of its health system and shortages of healthcare workers. These need to be addressed if the country is to ensure the health of its population and social fairness, while boosting the competitiveness of its economy.

**Life expectancy at birth in Austria was slightly higher than the EU average in 2023, but remained slightly below its pre-COVID-19 level.**

This also marks a relative drop in life expectancy since 2019, when Austria's life expectancy was more than eight months higher than the EU average. The country has a clear gender gap, with women expected to live 4.7 years longer than men. That said, they can only expect to live around 0.7 years longer than men in good health. Austria fares comparatively well in avoiding deaths from treatable causes. In 2022, diseases of the circulatory system ('cardiovascular diseases') and cancer were the leading causes of death, followed by COVID-19. The cancer mortality rate was lower than the EU average, while the mortality rate from cardiovascular diseases was higher than the EU average.

Graph A14.1: Life expectancy at birth, years



Source: Eurostat (demo\_mlexpec)

**Austria's health system is strongly hospital-centred, which poses risks to its fiscal sustainability and the accessibility of healthcare.**

In 2022, health spending per inhabitant in Austria (adjusted for differences in purchasing power) was among the highest in

the EU, with the largest share (higher than the EU average) going towards inpatient care. This, together with the high number of hospital beds (600 per 100 000 population in 2022, much higher than the EU average), illustrates the country's strongly hospital-centred model of healthcare. That said, the number of hospital beds in Austria has been declining in recent years. However, the occupancy rate of acute care beds remains low (67.5%) suggesting an inefficient use of resources. Efficiency gains through structural reforms are particularly important in light of Austria's country-specific recommendation of 2024 to improve the fiscal sustainability of its health system. This is because, due to ageing, the projected increase in public spending for healthcare raises concerns about fiscal sustainability (see Annex 1).

**A health reform package for 2024-2028 aims, among other things, to deliver care in more cost-effective ways.**

With a vision of 'digital before outpatient before inpatient care', structural reforms will expand day clinics in hospitals and specialised outpatient hospital departments, while strengthening primary care by setting up 133 primary healthcare units by 2025 and creating hundreds of additional positions for contracted physicians in ambulatory and primary care. The roll-out of multi-professional primary healthcare units across the country is supported by Austria's recovery and resilience plan (RRP), which also includes measures to make primary healthcare more attractive to general practitioners and other health and social care professionals. Moreover, Austria participates in the EU4Health-funded joint action CIRCE-JA <sup>(273)</sup> aimed at the transfer of good practices in primary care between EU countries.

<sup>(273)</sup> [Joint Action CIRCE-JA](#).

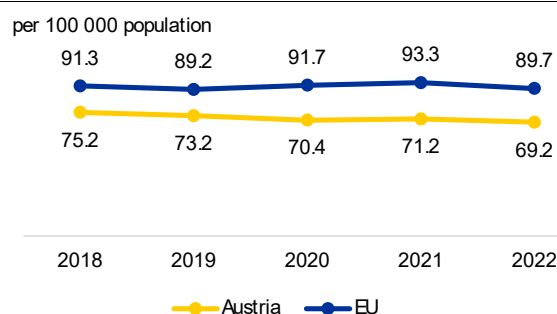
Table A14.1: Key health indicators

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	229.6	230.5	224.7	226.1	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	362.9	361.0	343.3	346.6	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	3 966	4 066	4 737	4 751	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	75.1	76.9	78.2	77.6	77.2	81.3 (2022)
Spending on prevention, % of current health expenditure	2.1	3.2	10.4	7.4	n.a.	5.5 (2022)
Available hospital beds per 100 000 population**	650	636	620	600	n.a.	444 (2022)
Doctors per 1 000 population*	5.3	5.3	5.4	5.4	n.a.	4.2 (2022)*
Nurses per 1 000 population*	10.3	10.3	10.7	10.7	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	14.1	13.4	14.1	13.6	13.7	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	137	126	95	80	96	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	11.6	8.8	8.8	10.5	11.3	20.0 (2023)

\*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2022 (or latest 2021) data except for Luxembourg (2017). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except France and Slovakia (professionally active) and Greece (hospital only). \*\*Available hospital beds' covers somatic care, not psychiatric care. \*\*\*The EU median is used for patents.

**Source:** Eurostat database; European Patent Office; \*\*\*\*European Centre for Disease Prevention and Control (ECDC) for 2023.

Graph A14.2: Treatable mortality



Age-standardised death rate (mortality that could be avoided through optimal quality healthcare)

**Source:** Eurostat (hlth\_cd\_apr)

**Austria places significant focus on disease prevention.** The share of spending directed at prevention stood at 7.4% of Austria's total health expenditure in 2022, well above the EU average of 5.5%. While the rate of preventable mortality is lower than the EU average, around one third of deaths are linked to behavioural risk factors, with Austria having among the highest levels of alcohol consumption and the highest smoking rates in the EU. Measures to strengthen health promotion and disease prevention will receive more funding as part of the 2024-2028 health reform package. The RRP also supports the nationwide roll-out of early childhood intervention programmes for pregnant women and young parents.

### Shortages of healthcare workers are a cause for concern in Austria, as they could limit the availability of healthcare.

The density of doctors and nurses is above the EU average. However, as mentioned in the 2024 country report for Austria <sup>(274)</sup>, debates are ongoing about the shortage of doctors in certain regions and specialties (for example, general practitioners). Furthermore, the few doctors that take on new patients often do not have reimbursement contracts with the state health insurance system. Moreover, around 34% of physicians are aged 55 and over, and less than 20% are aged below 35, raising concerns about the long-term accessibility of health services. Amid nationwide shortages, hospitals are competing to attract doctors by offering higher salaries. Lower Austria recently announced an increase in starting salaries for young doctors. Similar measures have been introduced by other regions such as Vienna, Burgenland and Styria. In an effort to increase the attractiveness of physician placements in rural areas, the Austrian health insurance fund (ÖGK) launched a scheme of scholarships for medical students who commit themselves to work as contracted physicians in general medicine, paediatrics, gynaecology and psychiatry in underserved

<sup>(274)</sup> [European Semester 2024 Country Report - Austria.](#)

regions for at least five years after completing their training.

mothers, in particular from socially disadvantaged families.

**Austria's health system contributes to innovation and industrial development in the EU medical sector, but there is still room for improvement.**

Austria is among the EU countries reporting substantial public spending on health research and development. This is reflected in the high number of European patents granted: 96 in 2023 in the combined areas of pharmaceuticals, biotechnologies and medical technologies (vs an EU-level median of 29) <sup>(275)</sup>. However, Austria lags behind several EU countries on clinical trial activity <sup>(276)</sup>.

**Austria's uptake of e-health and overall health system digitalisation is rather slow.**

Despite the above average overall technical deployment of electronic health records in Austria (see Annex 6), their use by the public is comparatively low. Furthermore, the share of people using online health services (excluding phone) instead of in-person consultations is among the lowest in the EU. The 2024-2028 healthcare reform package aims to boost the digital transformation of the health sector in Austria by: (i) establishing a primary entry point into the health system via expanded digital services (for example, teleconsultations); (ii) making it obligatory for all ambulatory care providers to use electronic health records; and (iii) setting up a platform for the secondary use of health data.

Austria participates in joint actions and benefits from direct grants under EU4Health, which aim to improve the semantic interoperability of health data and facilitate the implementation of the European Health Data Space. In addition, Austria's RRP includes investments to develop an 'electronic mother child pass platform', which consists of electronic documentation and a communication platform for simplified access to test results for healthcare practitioners and

---

<sup>(275)</sup> European Patent Office, [Data to download | epo.org](https://data.epo.org/).

<sup>(276)</sup> EMA (2024), [Monitoring the European clinical trials environment](#), p. 9.



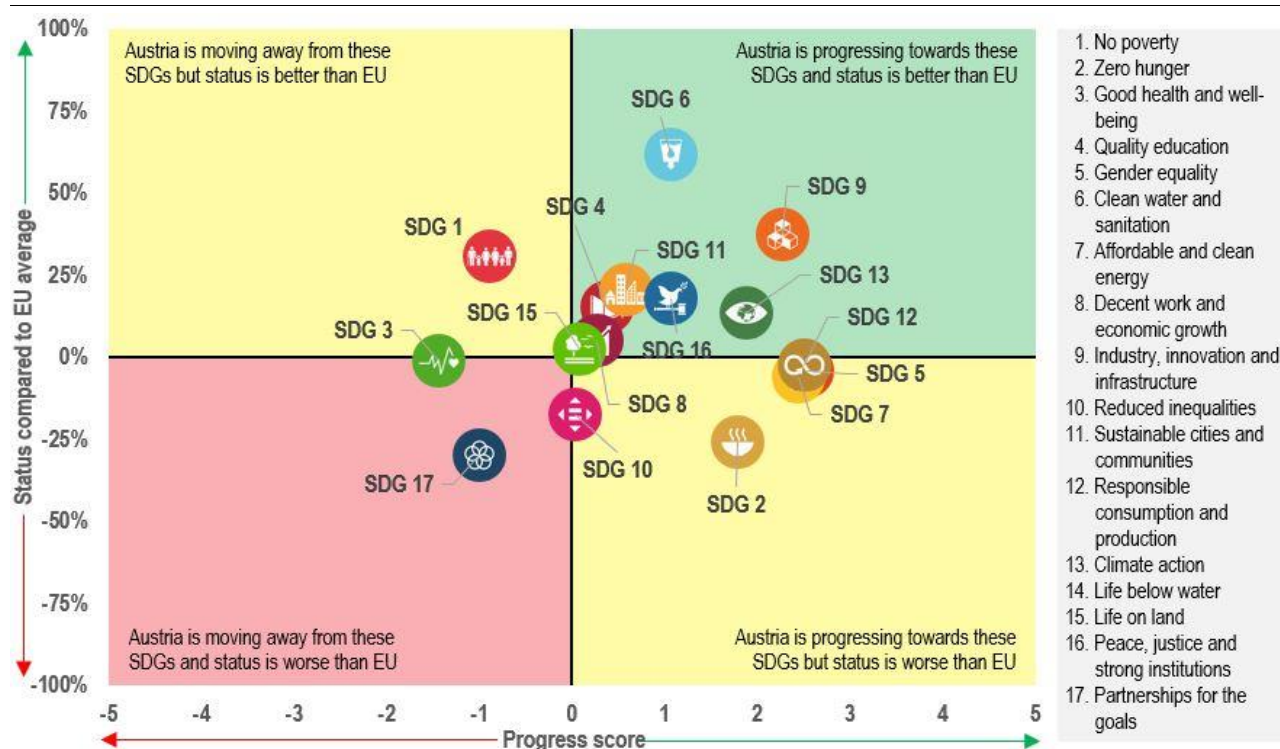
## ANNEX 15: SUSTAINABLE DEVELOPMENT GOALS

**This Annex assesses Austria's progress on the Sustainable Development Goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness.** The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

**Austria performs well and continues to improve on most SDGs related to**

**competitiveness (SDGs 8 and 9). It is likewise improving on productivity-related indicators that form part of quality education (SDG 4).** Compared to the EU average (13.3%), Austria performs relatively well in adult participation in learning, with 17.6% of adults in 2024, up from 14.7% in 2019. Austria also performs well on most indicators within SDG 8 (Decent work and economic growth) and SDG 9 (Industry, innovation and infrastructure). With 3.29% of GDP allocated to R&D in 2023, improved from 3.11% in 2018, Austria has one of the highest levels of R&D spending in the EU. The employment rate rose from 76.8% in 2018 to 77.4% in 2024, better than the EU average of 75.8%. Austria's recovery and resilience plan (RRP) contains several measures to enable digitalisation and make significant investments in strategic

Graph A15.1: **Progress towards the SDGs in Austria**



For detailed datasets on the various SDGs, see the annual Eurostat report '[Sustainable development in the European Union](#)'; for details on extensive country-specific data on the short-term progress of Member States: [Key findings – Sustainable development indicators – Eurostat \(europa.eu\)](#). A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

**Source:** Eurostat, latest update of 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

research and innovation, which will help ensure further progress on these SDGs.

**Austria is improving on most SDGs related to sustainability (SDGs 2, 6, 7, 9, 11, 12, 13), but it needs to catch up with the EU average on several of these (SDGs 2, 7 and 12.**

Historically, Austria has performed very well on the share of renewable energy in its gross final energy consumption. It was able to further increase this share from 33.8% in 2018 to 40.8% in 2024, well above the EU average. Various measures in the RRP aim to further contribute to general greenhouse gas emission savings and are likely to support Austria's environmental sustainability. These measures include the eco-social tax reform, the Renewables Expansion Law and investment in renewables, energy efficiency, zero-emission mobility and biodiversity. The Biodiversity Fund as well as the biodiversity strategy published as part of the Austrian RRP will also help address SDG 15 (Life on Land) aims.

**The picture on SDGs related to social fairness (SDGs 1, 3, 4, 5, 7, 8, 10) is more mixed than previously. Austria is moving away from SDG 3 (Good health and well-being) on several indicators, while it needs to catch up to the EU average on SDGs 3, 5, 7 and 10. It performs well on SDGs 1, 4 and 8.** The share of people with good or very good self-perceived health decreased at a faster pace than the EU average (SDG 3; 69.3% in 2023 compared to 71.7% in 2018). Austria again reversed course on the in-work at-risk-of-poverty rate to register an improvement (SDG 1; 7.6% in 2022, compared to 8% in 2018), and the long-term unemployment rate is improving (SDG 8; 1.1% in 2024 compared to 1.4% in 2018 while the EU average decreased from 2.7% to 1.9%). On SDG 4 (Quality education), Austria increased the participation rate in early childhood education for children aged three and over to 91.2% in 2023 and continued to increase the share of adults with a tertiary qualification from 41.6% in 2019 to 44.1% in 2024. However, the share of early leavers from education and training increased

from 7.8% in 2019 to 8.1% in 2024, illustrating a need for improvement in ensuring equal opportunities in education, particularly for disadvantaged young people. Ways to address this are supported by several measures in the Austrian RRP targeted at: (i) access to education, training and upskilling; and (ii) assistance to socially disadvantaged women.

**Overall, Austria performs well on SDGs related to macroeconomic stability (SDGs 8 and 16), while it needs to catch up on partnerships for the goals (SDG 17).**

Austria performs well on SDG 8 and managed to increase its investment share of GDP from 24.3% in 2018 to 24.9% in 2023 against the trend in the EU (EU average: 21.7% in 2024). In addition, Austria achieves high scores on indicators measuring peace, justice and strong institutions (SDG 16), showing that there is a stable and predictable environment for doing business. The RRP includes several targeted measures to improve the sustainability of the pension system and the quality of public spending, and the plan is therefore expected to also contribute to some extent to Austria's long-term macroeconomic stability. On partnerships for the goals (SDG 17), Austria showed progress, but it is still performing poorly compared to the EU average, particularly on official development assistance. The share of households with a high-speed internet connection also still lags the EU average, but improved at a rapid pace from 13.8% in 2019 to 67.6% in 2024.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.





**Austria faces structural challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs) addressed to the country as part of the European Semester.** They suggest, among other things, to strengthening the budgetary framework and fiscal governance, improving the tax mix, and securing sustainability of the healthcare, long-term care and pension systems. In addition they refer to fostering innovation, startups and scaleups, advancing digitalisation of businesses, facilitating decarbonisation, renewable energy and energy affordability, increasing energy efficiency, reducing regulatory and administrative burden, strengthening business environment, improving access to finance for businesses, enhancing skills by strengthening training and education and implementing active labour market policies.

**The Commission has assessed the 2019-2024 CSRs considering the policy action taken by Austria to date and the commitments in its recovery and resilience plan (RRP).** At this stage, Austria has made at least 'some progress' on 88% of the CSRs <sup>(277)</sup>, and 'limited progress' on 10% (Table A16.2).

**EU funding instruments provide considerable resources to Austria by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs.** In addition to the EUR 4.2 billion funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds <sup>(278)</sup> are providing EUR 1 billion to Austria (amounting to nearly EUR 3

billion with national co-financing) for 2021-2027 <sup>(279)</sup> to boost regional competitiveness and growth. Support from these instruments combined represents around 1.1% of 2024 GDP <sup>(280)</sup>. The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This substantial support comes on top of financing provided to Austria under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had significant benefits for the economy and Austrian society. Project selection under the 2021-2027 cohesion policy programmes has accelerated.

**The Austrian RRP contains 34 investments and 29 reforms to stimulate sustainable growth and contribute to implementing the twin transitions.** A year before the end of the RRF timespan, implementation is delayed, with 30% of funds disbursed. At present, Austria has fulfilled 25% of the milestones and targets in its RRP <sup>(281)</sup>. Efforts are needed to ensure completion of all RRP measures by 31 August 2026.

**Austria also receives funding from several other EU instruments,** including those listed in Table A16.1. Most notably, the common agricultural policy (CAP) provides Austria with an EU contribution of EUR 6.1 billion under the CAP strategic plan 2023-2027<sup>(282)</sup>. A further EUR 217.3 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the border management and visa instrument (BMVI) and internal security funds.

<sup>(277)</sup> 6% of the 2019-2024 CSRs have been fully implemented, 10% substantially implemented, and some progress has been made on 72%.

<sup>(278)</sup> In 2021-2027, cohesion policy funds include the European Regional Development Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

<sup>(279)</sup> European territorial cooperation (ETC) programmes are excluded from the figure.

<sup>(280)</sup> RRF funding includes both grants and loans, where applicable. The EU average is calculated for cohesion policy funds excluding ETC programmes. GDP figures are based on Eurostat data for 2024.

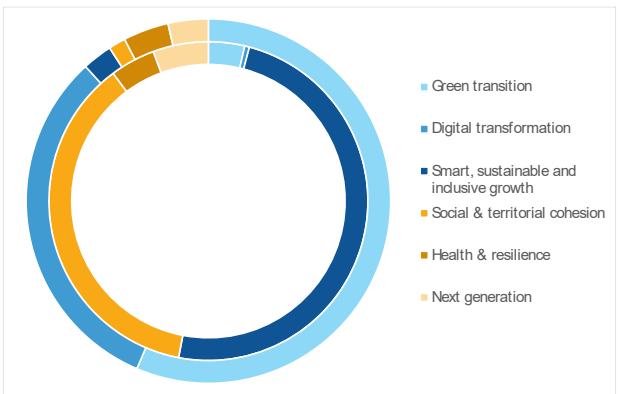
<sup>(281)</sup> As of mid-May 2025, Austria has submitted 2 payments requests, the last one being under assessment.

<sup>(282)</sup> An overview of Austria's formally approved strategy to implement the EU's common agricultural policy nationally can be found at: [https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/austria\\_en](https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/austria_en).



Operations amounting to EUR 497.3 million <sup>(283)</sup> have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in Austria.

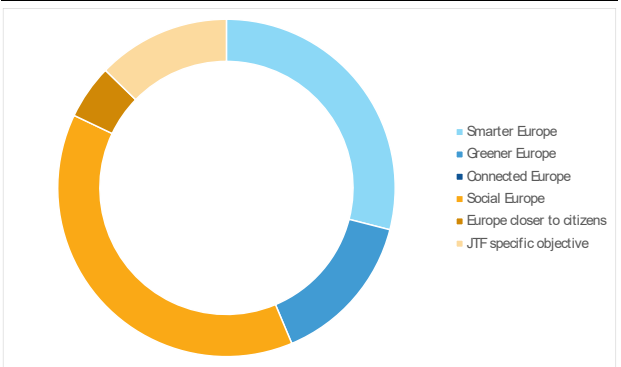
Graph A16.1: **Distribution of RRF funding in Austria by policy field**



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle, while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total contribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.

**Source:** European Commission

Graph A16.2: **Distribution of cohesion policy funding across policy objectives in Austria**



**Source:** European Commission

**Cohesion policy funds aim to increase the productivity and competitiveness of Austrian firms and improve the business environment.** The European Regional Development Fund (ERDF) is used to support innovative investments in small and medium-

sized enterprises (SMEs). It is expected to support approximately 1 800 firms, leverage an estimated EUR 550 million in private investment and create more than 1 400 jobs. To increase the efficiency and economic exploitation of scientific performance and to boost productivity, the ERDF provides targeted funding for research and innovation. Austria is making use of the Strategic Technologies for Europe Platform (STEP) to strengthen its competitiveness, by supporting productive investments in critical technologies with the Just Transition Fund. In addition, almost EUR 220 million from the European Social Fund Plus (ESF+) are being invested in reducing early school leaving, promoting vocational education, and training and lifelong learning in Austria. The Just Transition Fund (JTF) provides an additional almost EUR 60 million to support upskilling and reskilling. Joint efforts are being made under the ESF+ and the JTF to help companies to better respond to the growing shortage of skilled workers, to foster older workers' participation in the labour market, and to help young people remain in education and successfully transition from school to training and employment.

**Other funds are contributing to competitiveness in Austria, for instance through open calls.** The Connecting Europe Facility has financed strategic investments for instance in rail infrastructure (e.g. enhancing cross-border connectivity between Austria and Italy), the expansion of alternative fuel infrastructure and the modernisation of Austria's inland waterway sector; and the development of key energy infrastructure projects, including the diversification of natural gas sources and routes. Horizon Europe has supported research and innovation, from scientific breakthroughs to scaling up innovations, with Climate, Energy and Mobility and the European Research Council as top priority areas. In 2024, the TSI has supported Austria to strengthen its capacity to model the macroeconomic effects of green policies and investments; improving policy coherence for sustainable development; strengthen the

<sup>(283)</sup> Data reflect the situation on 31.12.2024.

protection facility for child victims of trafficking; and improving compliance and transparency of public procurement procedures. In multiple areas, technical support has also been provided at regional level and as part of cross-border projects.

**Austria's RRP also contains ambitious measures to improve the business environment and competitiveness.** As part of the measures covered by payment requests submitted over the past year, measures are being implemented in the areas of easing the administrative burden for company handovers and making the business environment more attractive for start-ups, as well measures to support green and digital investments in SMEs.

**EU funds are playing a significant role in promoting environmental sustainability and the green transition in Austria during the current seven-year EU budget (multiannual financial framework).** Cohesion policy funds are contributing to a faster green transition in Austria. Approximatively one quarter of ERDF funding is dedicated to increasing energy efficiency in around 1 500 businesses, as well as infrastructure at local authority level. EUR 76 million from the JTF is being used to promote diversification towards sustainable and innovation-driven economic activities and to support research and innovation projects on climate transition in parts of the Niederösterreich, Kärnten, Oberösterreich and Steiermark regions. As for the CAP strategic plan, Austria uses nearly 60% of its rural development budget (EUR 1 521 million) for environmental objectives, and a further EUR 500 million for eco-schemes. Austria's eco-schemes and environmental and climate-related measures focus on biodiversity, animal welfare, and soil and water protection. From 2025 onwards, agroforestry strips will be supported as well. Additionally, the share of biodiversity-enhancing landscape features such as (fruit) orchard trees, bushes, hedges, flower strips and bee pastures will increase so that by 2030 they cover over 10% of agricultural land in the country.

**Austria's RRP, including the REPowerEU chapter, has a comprehensive set of reforms and investments for the green transition.** As part of the measures covered by payment request submitted over the past year, measures are being implemented in green investments in SMEs. Measures also include the acquisition of emission-free vehicles, the repair bonus scheme to promote the repair of electric and electronic equipment.

**Promoting fairness, social cohesion and improving access to basic services are among the key priorities of EU funding in Austria.** A core aim of the ESF+ is to reduce poverty in Austria by providing qualifications and work opportunities. The ESF+ Employment and JTF programme supports gender equality by developing measures to reduce the gender pay gap, improving work-life balance, and fighting gender stereotypes. Social integration enterprises help the long-term unemployed through social and educational support and sustainable jobs under the programme. Austria's Asylum, Migration and Integration Fund (AMIF) programme prioritises measures that promote social integration, education, language learning, preparatory measures for employment, housing, healthcare, and civic participation. It supports the efficient processing of asylum applications through specialised staff training and improved country of origin analysis. The programme also aims to strengthen the protection of vulnerable groups (e.g., enhances early detection of human trafficking victims).

**Austria's RRP contains several reforms and investments related to fairness and social policies.** As part of the measures covered by payment request submitted over the past year, measures are being implemented in the areas of healthcare and education.

Table A16.1: **Selected EU funds with adopted allocations - summary data (million EUR)**

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	3 961.2		1 192.0
RRF loans	0		0
Instrument/policy	Allocation 2014-2020 (2)	Allocation 2021-2027	Disbursed since 2021 (3) (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
<b>Cohesion policy (total)</b>	1 250.2	1 066.8	873.2
European Regional Development Fund (ERDF)	694.0	521.4	507.8
European Social Fund (ESF, ESF+)	556.3	409.7	323.3
Just Transition Fund (JTF)		135.8	42.1
<b>Fisheries</b>			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	7.0	6.7	4.3
<b>Migration and home affairs</b>			
Migration, border management and internal security - AMIF, BMV and ISF (4)	136.0	217.3	82.1
<b>The common agricultural policy under the CAP strategic plan (5)</b>	<b>Allocation 2023-2027</b>		<b>Disbursements under the CAP Strategic Plan (6)</b>
<b>Total under the CAP strategic plan</b>	6 084.3		1 887.1
European Agricultural Guarantee Fund (EAGF)	3 484.2		1 296.6
European Fund for Agricultural Development (EAFRD)	2 600.1		590.5

(1) The cut-off date for data on disbursements under the RRF is 31 May 2025.

(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.

(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.

(4) AMIF - Asylum, Migration and Integration Fund; BMVI - Border Management and Visa Instrument; ISF - Internal Security Fund.

(5) Expenditure outside the CAP strategic plan is not included.

(6) The cut-off date for data on EAFRD disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.

**Source:** European Commission

Table A16.2: Summary table on 2019-2024 CSRs

<b>Austria</b>	<b>Assessment in May 2025</b>	<b>Relevant SDGs</b>
<b>2019 CSR 1</b>	<b>Some progress</b>	
<i>Ensure the sustainability of the health, long-term care, and pension systems, including by adjusting the statutory retirement age in view of expected gains in life expectancy.</i>	Some progress	SDG 3
<i>Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities.</i>	Some progress	SDG 3
	Limited progress	SDG 8
	Limited progress	SDG 8, 16
<b>2019 CSR 2</b>	<b>Some progress</b>	
<i>Shift taxes away from labour to sources less detrimental to inclusive and sustainable growth.</i>	Some progress	SDG 8, 10, 12
<i>Support full-time employment among women, including by improving childcare services, and boost labour market outcomes for the low skilled in continued cooperation with the social partners.</i>	Some progress	SDG 4, 5, 8, 10
<i>Raise the levels of basic skills for disadvantaged groups, including people with a migrant background.</i>	Some progress	SDG 8, 10
	Some progress	SDG 4, 8, 10
<b>2019 CSR 3</b>	<b>Some progress</b>	
<i>Focus investment-related economic policy on research and development, innovation, digitalisation,</i>	Substantial progress	SDG 9, 10, 11
	Some progress	SDG 9, 10, 11
<i>and sustainability, taking into account regional disparities.</i>	Some progress	SDG 1, 7, 8, 9, 10, 11, 13
<i>Support productivity growth by stimulating digitalisation of businesses and company growth</i>	Some progress	SDG 8, 9
<i>and by reducing regulatory barriers in the service sector.</i>	Substantial progress	SDG 9
<b>2020 CSR 1</b>	<b>Some progress</b>	
<i>Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.</i>	Not relevant anymore	SDG 8, 16
<i>Improve the resilience of the health system by strengthening public health and primary care.</i>	Some progress	SDG 3
<b>2020 CSR 2</b>	<b>Some progress</b>	
<i>Ensure equal opportunities in education and increased digital learning.</i>	Some progress	SDG 4, 8, 10
	Some progress	SDG 4
<b>2020 CSR 3</b>	<b>Substantial progress</b>	
<i>Ensure an effective implementation of liquidity and support measures, in particular for small and medium-sized enterprises, and reduce administrative and regulatory burden.</i>	Full implementation	SDG 8, 9
<i>Front-load mature public investment projects</i>	Substantial progress	SDG 8, 9
	Some progress	SDG 8, 16
<i>and promote private investment to foster the economic recovery.</i>	Some progress	SDG 8, 9
<i>Focus investment on the green and digital transition, in particular on basic and applied research, as well as innovation,</i>	Substantial progress	SDG 9
<i>sustainable transport,</i>	Some progress	SDG 11
<i>clean and efficient production and use of energy.</i>	Some progress	SDG 7, 9, 13
<b>2020 CSR 4</b>	<b>Some progress</b>	
<i>Make the tax mix more efficient and more supportive to inclusive and sustainable growth.</i>	Some progress	SDG 8, 10, 12
<b>2021 CSR 1</b>	<b>Not relevant anymore</b>	
<i>In 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment. Keep the growth of nationally financed current expenditure under control.</i>	Not relevant anymore	SDG 8, 16
<i>When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.</i>	Not relevant anymore	SDG 8, 16

(Continued on the next page)

Table (continued)

At the same time, enhance investment to boost growth potential. Pay particular attention to the composition of public finances, on both the revenue and expenditure sides of the budget, and to the quality of budgetary measures in order to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, in particular investment supporting the green and digital transition.	Not relevant anymore	SDG 8, 16
Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by strengthening the coverage, adequacy and sustainability of health and social protection systems for all.	Not relevant anymore	SDG 8, 16
<b>2022 CSR 1</b>	<b>Some progress</b>	
In 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.	Not relevant anymore	SDG 8, 16
Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds.	Not relevant anymore	SDG 8, 16
For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions.	Not relevant anymore	SDG 8, 16
Ensure the adequacy and fiscal sustainability of the long-term care system.	Some progress	SDG 3
Simplify and rationalise fiscal relations and responsibilities across layers of government and align financing and spending responsibilities.	Limited progress	SDG 8, 16
Improve the tax mix to support inclusive and sustainable growth.	Some progress	SDG 8, 10, 12
<b>2022 CSR 2</b>		
Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents with a view to starting their implementation.	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
<b>2022 CSR 3</b>	<b>Some progress</b>	
Boost labour market participation of women, including by enhancing quality childcare services,	Some progress	SDG 4, 5, 8, 10
and improve labour market outcomes for disadvantaged groups.	Some progress	SDG 8, 10
<b>2022 CSR 4</b>	<b>Some progress</b>	
Reduce overall reliance on fossil fuels, and diversify imports of fossil fuels,	Some progress	SDG 7, 9, 13
by accelerating the deployment of renewable energy and of the necessary infrastructure, in particular by simplifying planning and further streamlining permitting procedures,	Some progress	SDG 7, 8, 9, 13
and enhancing energy efficiency, in particular in the industry and building sectors,	Some progress	SDG 7
and diversifying energy supplies, as well as increasing flexibility and reverse-flow capacity of interconnections	Some progress	SDG 7, 9
<b>2023 CSR 1</b>	<b>Some progress</b>	
Wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable and preserve incentives for energy savings.	Some progress	SDG 8, 16
Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 4.6%.	No progress	SDG 8, 16
Preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	Full Implementation	SDG 8, 16
For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position.	Limited Progress	SDG 8, 16
Ensure the adequacy and fiscal sustainability of the long-term care system	Some progress	SDG 3, 8
and the fiscal sustainability of the healthcare system.	Some progress	SDG 3, 8
Simplify and rationalise fiscal relationships and responsibilities across layers of government and align financing and spending responsibilities.	Limited progress	SDG 8, 16
Improve the tax mix to support inclusive and sustainable growth.	Some progress	SDG 8, 10, 12

(Continued on the next page)

Table (continued)

<b>2023 CSR 2</b>		
<i>Continue the steady implementation of its recovery and resilience plan and swiftly finalise the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.</i>	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
<b>2023 CSR 3</b>	<b>Some progress</b>	
<i>Boost labour market participation of women, including by enhancing quality childcare services,</i>	Some progress	SDG 4, 5, 8, 10
<i>and of older workers, and improve labour market outcomes for disadvantaged groups, such as low-skilled jobseekers and people with a migrant background, including by raising their levels of basic skills.</i>	Some progress	SDG 4, 5, 8, 10
<b>2023 CSR 4</b>	<b>Some progress</b>	
<i>Reduce overall reliance on fossil fuels and diversify gas supply sources to significantly decrease dependence on Russia.</i>	Some progress	SDG 7, 9, 13
<i>Accelerate the deployment of renewable energy and the necessary infrastructure, in particular by simplifying permitting procedures and putting in place dedicated acceleration areas.</i>	Substantial progress	SDG 7, 8, 9
<i>Improve energy efficiency.</i>	Some progress	SDG 7, 9, 13
<i>Reduce emissions, in particular in the transport sector.</i>	Some progress	SDG 7, 9, 13
<i>Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.</i>	Some progress	SDG 4, 7, 13
<b>2024 CSR 1</b>	<b>Some Progress</b>	
<i>Submit the medium-term fiscal-structural plan in a timely manner.</i>	Full Implementation	SDG 8, 16
<i>In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with, inter alia, putting the general government debt on a plausibly downward trajectory over the medium term and respecting the 3% of GDP deficit Treaty reference value.</i>	Full Implementation	SDG 8, 16
<i>Improve the fiscal sustainability of the healthcare system and the long-term care system.</i>	Some Progress	SDG 3, 8, 16
<i>Simplify and rationalise fiscal relationships and responsibilities across layers of government and align financing and spending responsibilities.</i>	Some Progress	SDG 3, 8, 16
<i>Further improve the tax mix to reduce the tax wedge and support inclusive and sustainable growth.</i>	Limited Progress	SDG 8, 16
	Some Progress	SDG 8, 10, 12
	Some Progress	SDG 8
<b>2024 CSR 2</b>		
<i>Address relevant challenges to allow for continued, swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.</i>	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
<b>2024 CSR 3</b>	<b>Some Progress</b>	
<i>Boost the labour market participation of women, including by improving quality and availability of childcare services, and of older workers.</i>	Some Progress	SDG 5, 8, 10
<i>Improve labour market outcomes for disadvantaged groups, such as low-skilled jobseekers and people with a migrant background, and raise the levels of basic skills, starting from an early age, and notably at school level.</i>	Some Progress	SDG 4, 5, 8, 10
<i>Promote business dynamism, creation and growth of young companies, including through better access to risk capital.</i>	Some Progress	SDG 8, 9
<b>2024 CSR 4</b>	<b>Substantial Progress</b>	
<i>Improve energy security by accelerating the diversification of gas supply towards non-Russian sources.</i>	Substantial progress	SDG 7, 8, 9
<i>Further reduce emissions, in particular in the transport sector</i>	Some Progress	SDGs 7, 8, 9, 11

Source: European Commission



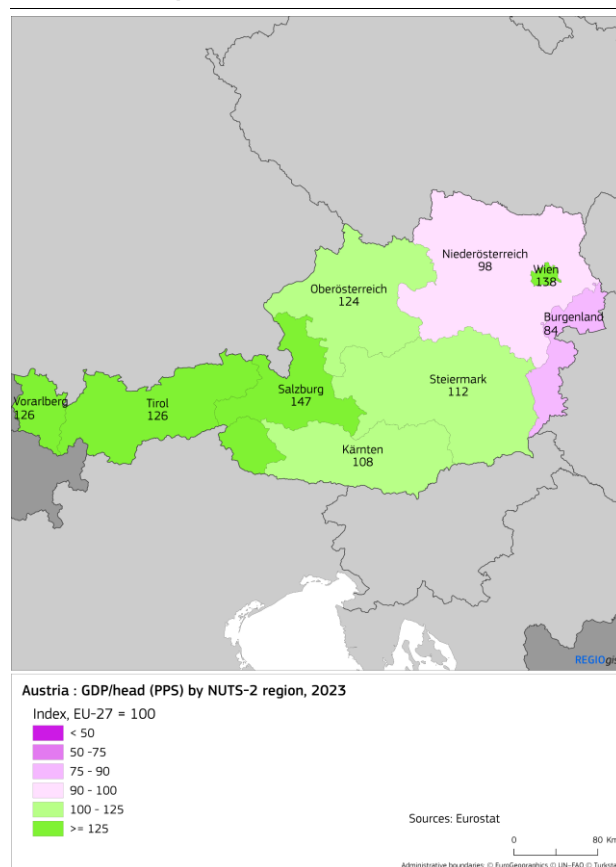
**Austrian regions are facing the challenge of low growth.** Although disparities between its regions are limited, some still persist, such as labour productivity or the distribution of R&D investment. However, Austria could benefit from a high rate of innovation and employment in science and technology, which could give it a competitive advantage. The high proportion of charging points also strengthens Austria's potential to reduce its high greenhouse gas (GHG) emissions by accelerating the switch to alternative CO<sub>2</sub>-neutral fuels.

**Regional disparities in Austria are among the lowest in EU Member States.** Compared to other EU Member States and the EU average, Austria maintains a relatively balanced overall distribution of wealth, resources and opportunities among its regions.

**However, some regional disparities still exist.** They mainly arise from differences in GDP per head, labour productivity, and R&D investment distribution. There are also minor regional variations in terms of competitiveness and innovation. In 2023, GDP per head (in purchasing power standard - PPS) in the regions of Vorarlberg, Tirol, Salzburg and Wien corresponded to 126-147% of the EU average, while it was only 84% in Burgenland, the least developed region (Map A17.1).

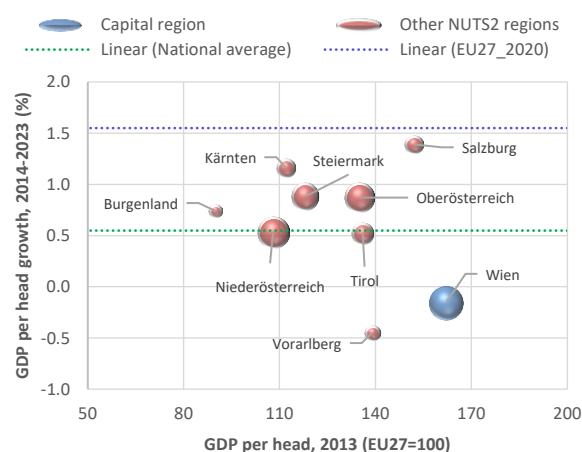
**Between 2014 and 2023, the annual real GDP per head growth was 0.6%, below the EU average (1.6%) in all regions.** Average annual growth in GDP per head over the same period was negative in Wien (-0.2%) (Graph A17.1), where it is related to a substantial increase in the city's population and in Vorarlberg (-0.5%). Kärnten (1.2%) and Salzburg (1.4%) experienced the highest average annual growth. Wien experienced a prolonged period (>16 years) of below-average growth in GDP per head, productivity and employment, while its population grew by more than 10% (from 1.76 to 1.98 million between 2014 and 2023).

Map A17.1: GDP per head (in purchasing power standard PPS), 2023



Source: Eurostat

Graph A17.1: Average annual GDP per head growth vs GDP per head in 2013



X axis: GDP per head, 2013 (PPS, index EU = 100).

Y-axis: Annual average real growth of GDP per head, 2014-2023 (EUR, 2015 prices, %). Bubble size: Population, 2023.

Source: ARDECO (JRC).





Table A17.1: Selection of indicators at regional level in Austria

	GDP per head (PPS)	Real GDP per head growth	Productivity GDP per person employed (PPS)	Real productivity growth (per person employed)	Productivity GDP per hour worked (PPS)	Real productivity growth (per hour worked)	R&D expenditure	Regional Competitiveness Index	Population growth	Population aged 65+	Unemployment rate	At-risk-of-poverty or social exclusion
	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	% of GDP	Index EU-27 = 100	Average annual change per 1000 residents	% of total population	% of labour force	% of total population
	2023	2014-2023	2023	2014-2023	2022	2013-2022	2021	2022	2014-2023	2024	2024	2024
European Union (27 MS)	100	1.6	100	0.6	100	0.9	2.3	100	1.7	21.6	5.9	21.0
Austria	120	0.6	112	0.2	120	0.8	3.2	114	7.4	19.8	5.2	16.9
Burgenland	84	0.7	94	0.0	100	0.4	0.8	106	4.9	23.9	4.9	10.0
Niederösterreich	98	0.5	107	0.1	117	0.7	1.8	119	5.9	21.3	4.2	12.4
Wien	138	-0.2	118	-0.3	129	0.2	4.0	119	12.7	16.4	9.4	28.2
Kärnten	108	1.2	109	0.8	110	1.5	3.1	106	2.5	23.5	4.3	15.7
Steiermark	112	0.9	104	0.3	105	0.7	5.2	110	4.4	21.6	4.4	14.4
Oberösterreich	124	0.9	114	0.5	120	1.1	3.6	114	7.1	19.7	3.8	15.0
Salzburg	147	1.4	123	1.2	128	1.6	1.8	111	6.7	20.0	3.4	11.1
Tirol	126	0.5	108	0.2	120	1.0	3.2	110	7.2	19.3	3.1	13.4
Vorarlberg	126	-0.5	120	-0.8	149	1.0	1.9	111	8.9	18.5	4.1	17.9

Source: Eurostat and JRC

## Competitiveness

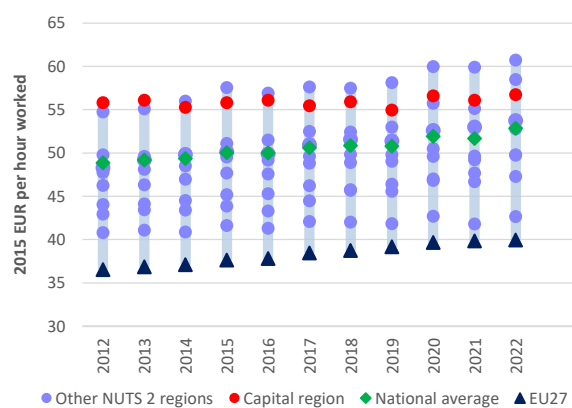
### Significant differences between Austrian regions remain in labour productivity.

The country's overall performance in labour productivity, measured as GDP per hour worked in PPS, was 120% of the EU average in 2022. It ranged from 149% in Vorarlberg to 100% in Burgenland. The average annual growth of productivity per hour worked between 2013 and 2022 (0.8%) was slightly below the EU average of 0.9%. The highest growth rate was reported in Salzburg and Kärnten, with an average growth of 1.5-1.6%, which increased the gap with the less performing regions (Graph A17.2). Wien had the lowest growth rate, with an annual average change of 0.2%, closely followed by Burgenland (0.4%).

**Austria has one of the highest commuting rates of all Member States.** In 2023, 12.1% of employed commuted, compared to the EU average of 7.5%. The commuting rate was highest in the regions surrounding the capital city, namely Burgenland (38.1%), and Niederösterreich (28.6%), indicating that a large portion of the workforce commutes to the

Wien region. These regions exhibit lower productivity and GDP per head.

Graph A17.2: Labour productivity per hour



Unit: Real GDP per hour worked (EUR, 2015 prices)

Source: ARDECO (JRC)

**Human capital and sectoral specialisation are significant factors behind the productivity trends.** In 2024, employment in high-tech sectors exceeded the EU average (5.2%) in Wien (7.9%) and Kärnten (5.9%), with other regions ranging from 2.8% to 5.1%. At the same time, all regions had a higher percentage of human resources in science and technology than the EU average (49.2%), except Vorarlberg (47.3%). This percentage has

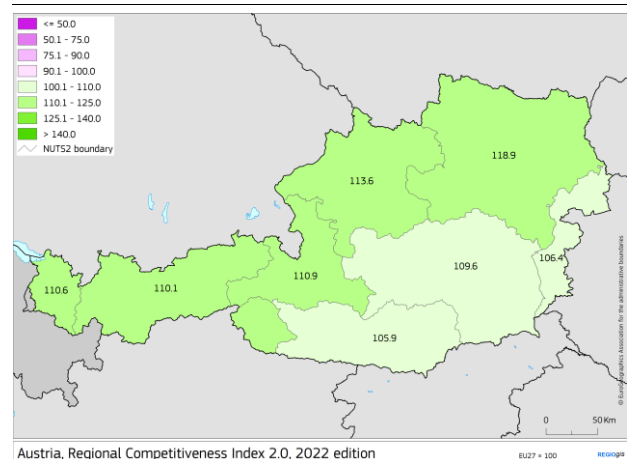
grown steadily since 2012, demonstrating Austria's competitive advantage, which is also reflected in the high number of foreign doctoral students and the proportion of international scientific co-publications, including public-private co-publications.

**Austria's R&D intensity ranked third in the EU in 2022, with marked differences between the regions.** At national level, R&D expenditure stood at 3.2% of GDP in 2022, which is above the EU average (2.3%). The proportion of R&D expenditure in Steiermark was more than twice as high (5.2%). In the regions Vorarlberg, Niederösterreich, Salzburg and Burgenland, this figure was below the EU average, ranging between 0.8% and 1.9% of GDP. The fact that R&D expenditure in Austria is above the EU average indicates potential that could be further developed for the benefit of all Austrian regions (see Annex 3).

**Performance in innovation is above the EU average, with minor differences across the Austrian regions.** In 2023, Ostösterreich was classified as a 'Leader' while Westösterreich and Südösterreich were classified as 'Strong Innovators'. Austria lags behind the EU average in terms of non-R&D innovation expenditure and in exports of knowledge-intensive services. It would therefore be beneficial for Austria to harness its strong potential and know-how as a very good innovator and its above EU average employment in science and technology to improve in areas where it is lagging behind. This development could also be positively influenced by rapidly increasing broadband penetration, which is still below the EU average but has been rising steadily since 2017 and is expected to accelerate further, thanks to the plan to roll out broadband by 2030.

**All Austrian regions ranked above the EU average (100) in terms of competitiveness in 2022.** Ranging from 118.9 in Wien and Niederösterreich to 105.9 in Kärnten, the index shows no significant regional differences.

Map A17.2: **Regional Competitiveness Index 2.0, 2022 edition**



Source: DG REGIO, JRC based on Eurostat

## Social fairness

**Minimal disparities in labour market conditions existed in 2024, with Wien lagging behind.** The unemployment rate was below 5% in all regions except Wien, where it reached 9.4%. The national average (5.2%) was lower than the EU average (5.9%). Unemployment was much higher in cities (8.2%) than in rural areas (3.1%). Labour markets improved in most regions over the past 10 years, with Kärnten experiencing a substantial 1.8 percentage point decrease in the unemployment rate. Low unemployment, coupled with a high job vacancy rate at around 3.8% in Q3-2024, pointed to existing labour shortages (see Annex 10).

**Demographic change could have a significant impact on Austria's regions in the future.** Nationally, the population grew by an annual average of 7.4 per 1 000 residents between 2014 and 2023, driven primarily by positive net migration (7.5 per 1 000 residents) over the same period. Increases were significant in the large agglomeration NUTS 3 regions of Wiener Umland/Nordteil, Graz and Wien (9.7 to 12.7 per 1 000 per year). Conversely, some sub-regions of Steiermark, Kärnten, Niederösterreich and Tirol witnessed a decline of -0.3 to -3.4 per 1 000 per year. These

trends reflect ongoing rural-urban transitions across Austria, contributing to the growth of urban populations and the expansion of conurbations.

**Population ageing is a major challenge for Austria, with strong societal implications.**

The percentage of the population aged 65 and over is currently one of the lowest in the EU, at 19.8% in 2024, but it is expected to rise significantly in the future. Some regions are already experiencing a decline in the working-age population, suggesting that demographic challenges will put pressure on the labour market and may affect Austria's ability to grow in the medium to long term.

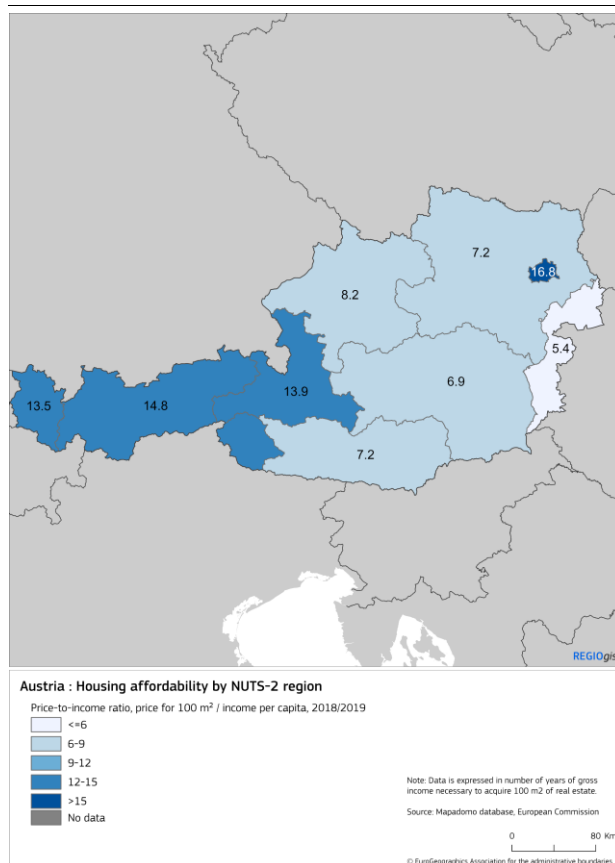
**There are regional disparities in the risk of poverty or social exclusion (AROPE) between Wien and the other regions.**

By 2024, Austria's AROPE rate (16.9%) was below the EU average (21.0%), as were those of most regions except Wien (28.2%). The Wien region also has the highest rate of unemployment and youth unemployment, as well as the highest percentage of young people not in employment, education or training, the latter two exceeding the EU average.

**Affordable housing remains a challenge in some regions.**

Housing prices in the capital region Wien are exceptionally high, with 100 square metres of living space costing nearly 17 times the average annual income in 2019. The national average of this factor is 9.7 and is also exceeded in the western regions of Vorarlberg, Tirol and Salzburg. By contrast, the price-to-income ratio is significantly lower in Steiermark and Burgenland (Map A17.3). The proportion of social housing is higher than in other Member States, accounting for 24% of the housing stock and providing affordable housing for both low- and middle-income households. In Wien, the proportion of municipal and/or cooperative housing accounts for half of the housing market. Austria could consider measures to spread the success of the Viennese model of social housing throughout the country.

Map A17.3: House prices relative to income, 2019

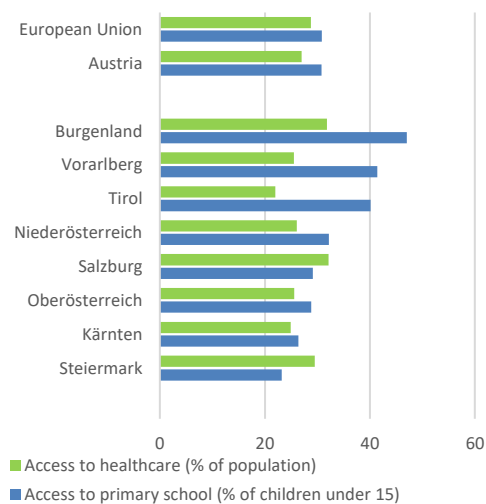


Source: European Commission, Mapadomo

**There are limited differences in access to basic services in rural areas.**

Access to hospitals in Austria's rural areas is relatively good across the territory (Graph A17.3). All regions are close to the EU average (29%), with the lowest figures in Tirol and Kärnten. The percentage of children in rural areas living less than 15 minutes' walk from the nearest primary school is the same as the EU average of 31%. However, there are significant regional differences. Most regions are below average, but Burgenland, Tirol and Vorarlberg are above 40%. Greater fairness across the country could be achieved through improving access to basic services, including education and healthcare, with a particular focus on areas where challenges related to access remain.

Graph A17.3: **Access to healthcare and primary education in rural areas, 2023**



Units: Percentage of population in rural areas that can reach nearest hospital within 10 minutes by car (EU-27); Percentage of children in rural areas under 15 who can reach primary school within 15-minute walk (EU-24).  
**Source:** Eurostat

## Sustainability

**Austria's average GHG emissions per head exceeded the EU average of 7.1 tonnes** of CO<sub>2</sub> equivalent by 0.9 tonnes in 2023. The highest value was recorded in Oberösterreich, with 12.3 tonnes, followed by Steiermark (10.8) and Niederösterreich (10.7). The western regions (Vorarlberg, Tirol and Salzburg) are among the regions with the lowest GHG emissions (between 4.4 and 6.8 tonnes) and the lowest concentration of particulate matter 2.5 and 10 µg/m<sup>3</sup> in 2023. Wien has the lowest proportion of GHG emissions (2.2) of all NUTS 2 regions but the highest concentration of pollutants.

**Access to electric vehicle charging infrastructure surpassed the EU average** (287 charging points on average within 10 km of people's homes) with a national average of 444 charging points within 10 km. However, Wien, the best performing NUTS 2 region, exceeds the EU average by a factor of five, while other

regions remain below EU average <sup>(284)</sup>. The further development of Austria's network of charging points could help to reduce its high GHG emissions from transport.

<sup>(284)</sup> Indicators of access to alternative fuel infrastructure are based on calculations by DG REGIO and the JRC, using data from the European Alternative Fuels Observatory (EAFO), Eurostat, TomTom and Eco-Movement.