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2026 Country Report - Austria

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

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

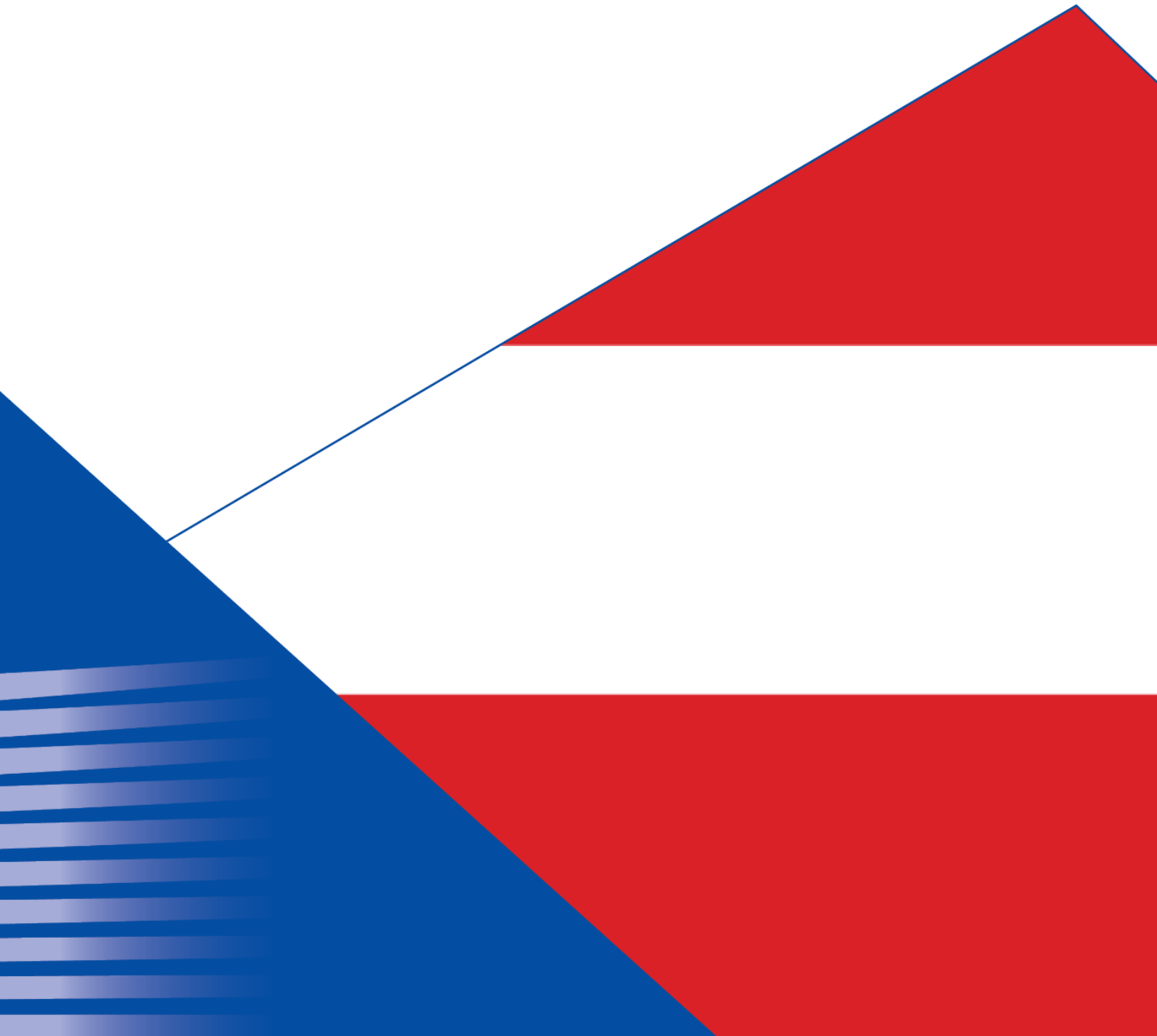
{COM(2026) 220 final}

European Commission

Economic and Financial Affairs

Austria

2026 Country Report

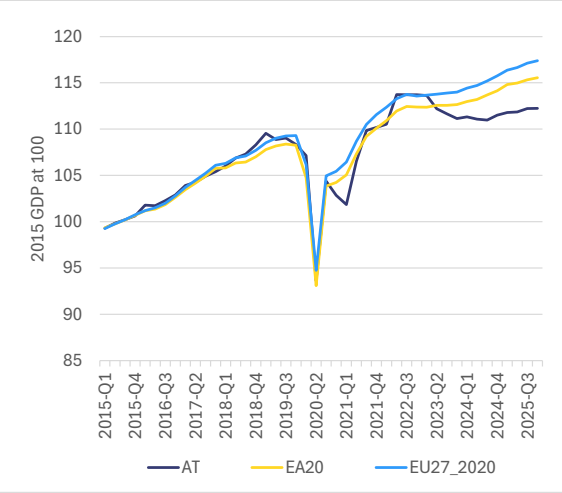


ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Austria's economy is recovering from a two-year recession amid structural challenges

After two years of recession, Austria's economy has begun to recover, but it has lost ground relative to the EU average. Austrian GDP growth, which had been in line with EU growth since at least 2015, fell behind the EU average following the energy crisis triggered by Russia's war of aggression against Ukraine in 2022. In 2023 and 2024, GDP declined by around 1.4% cumulatively, whereas EU GDP grew by 1.5% (see Graph 1.1). In 2025, Austria embarked on a modest recovery with GDP growth of 0.6%. The conflict in the Middle East in early 2026 and the ensuing energy shock now threaten to derail it.

Graph 1.1: **Quarterly GDP - Index**



Source: Eurostat - NAMQ_10_GDP

A key factor behind the recession was the downturn in manufacturing, driven by high energy costs and global competition. Between 2022 and 2024, gross value added in manufacturing decreased by almost 9%, with the steepest declines in fabricated metals, and machinery and equipment. Energy-intensive industries were hit especially hard as industrial electricity prices almost doubled between 2021 and 2023 and have only declined gradually until recently. Moreover, unit labour costs increased by 21% between 2022 and 2025 – 6 percentage points (pps) above the EU average – further eroding Austria's competitiveness. Trade tensions and fierce competition from outside the EU further weigh on the outlook for the industry.

Potential growth remains weak, hampered by demographic challenges and sluggish productivity growth. Austria's potential GDP growth is estimated at 0.5% in 2025 and is expected to recover to about 1% by 2028 ([1]). In 2025, the production factor capital was a modest driver, with investment growing, while the factor labour was stagnant due to population ageing, and total factor productivity lagged behind the euro area average.

Inflation has persistently exceeded euro area levels over the last three years. Cumulative inflation from 2022 to 2025 amounted to around 25%, 5.2 pps higher than in the euro area. In 2025, inflation ticked up again after the phasing out of energy relief measures. This caused household electricity prices to increase by roughly 36% in 2025, contributing about 0.75 pps to overall HICP ([2]) inflation. In 2026, the phase-out no longer affects the inflation rate, and in January 2026, inflation fell to 2%. However, the crisis in the Middle East brings another energy shock. It is expected to raise inflation in Austria to 3%.

([1]) European Commission autumn forecast 2025.

([2]) Harmonised Index of Consumer Prices

Box 1: **UN Sustainable Development Goals (SDGs)**

Austria performs above the EU average on most indicators, and is improving on all but three SDGs. It does well on many productivity-related indicators (e.g. the employment rate in SDG 8 or per capita patent applications in SDG 9), while it performs less well compared with the EU average on climate action, such as lowering emissions from land use and forestry (SDG 13).

Out of the 17 indicators, 6 SDGs currently stand below the EU average. These relate to partnerships for the goals (SDG 17), environmental sustainability (SDGs 2 and 13), fairness (SDGs 7 and 10) and gender equality (SDG 5) (see Annex 17).

Real disposable income of households reached an all-time high in 2024. Nominal net earnings increased by almost 8% in 2024, allowing households to recover purchasing power lost during the energy crisis. Most of the extra income was saved, increasing the saving rate by 2.6 pps to 17.3% in 2024. Two significant supply shocks hitting since 2020 did not fundamentally derail the upwards trajectory of disposable incomes in Austria.

Unemployment has increased due to slow growth, but overall employment remains steady, notably thanks to women retiring later. The unemployment rate rose from 4.8% in 2022 to 5.7% in 2025. Employment growth was largely driven by women, whose employment rate rose by 0.9 pps from 2023 to 2025, offsetting a 0.1 pps decline in employment among men. This trend is the result of the phased increase in women's statutory pension age starting in 2024. Their pension age is to be aligned with that of men by 2033 (see Annex 11). After declining for two years, labour productivity has stabilised in 2025.

Housing challenges emerged due to rising construction costs and declining supply, but simplification of technical standards could improve affordability. Construction costs for new residential buildings increased by 30% between 2020 and 2025, driven by increasing input costs and tightening financing conditions. The price-to-income ratio in 2025 is now 35% above its 2010 level. New construction has declined since 2021 with building permits having dropped by 50%, reducing supply. New and fixed-term rental contracts are 20% and 31% more expensive than average rents, whereas decades-old rental contracts are 36% cheaper ([3]). These disparities result from a lack of harmonisation of rental regulations and tenant protection, leading to significant challenges for new entrants to the rental market, especially vulnerable groups. Severe housing deprivation among those with income below 60% of the median rose from 6.3% in 2020 to 14.2% in 2023. To tackle construction costs, a review of technical standards could help. Construction firms increasingly follow complex technical standards (known as 'established commercial practice'), which cover requirements for safety, noise protection and energy efficiency, but also include comfort features. Although these standards are not legally binding, deviating from them carries legal risks (see Annex 16). A targeted review and simplification of what constitutes established commercial practice could help make housing more affordable.

Austria faces dependencies, particularly in energy, critical raw materials and digital sovereignty, which create economic security challenges. Dependence on fossil fuels imports has exposed the economy to volatile energy prices and weakened the competitiveness of energy-intensive industries. Austria has phased out coal in power generation and rapidly eliminated direct imports of Russian pipeline gas after Gazprom unilaterally stopped delivery in November 2024. Further decarbonisation would boost energy security and strengthen competitiveness. As a leading manufacturing country which is particularly reliant on imported material inputs (see Annex

([3]) https://www.statistik.at/statistiken/bevoelkerung-und-soziales/wohnen/wohnsituation.

Box 2:

Key achievements of the Recovery and Resilience Facility (RRF)

Austria's recovery and resilience plan (RRP) represents a total grant budget of **EUR 3.96 billion**, corresponding to **0.84% of GDP**. It seeks to support the green and digital transitions, strengthen economic resilience and address long-standing challenges identified in the European Semester.

As of **1 June 2026**, **EUR 3.33 billion** (around **84%** of the total allocation) has been disbursed following the satisfactory achievement of 131 milestones and targets. Substantial investments, combined with several significant reforms implemented to date, are already driving lasting structural changes in the Austrian economy.

Highlights and impact of the plan

- **Eco-social tax reform** promotes social inclusion and climate action by introducing a national carbon price on fossil fuels, alongside EUR 18 billion in tax relief for workers and businesses, including support for vulnerable households and investment incentives to boost jobs and growth.
- **Construction of Koralm railway** provided high-speed infrastructure, cutting travel times between Graz and Klagenfurt from 2 hours by car to 40 minutes by train, boosting business attractiveness across both regions. This large-scale investment works in synergy with the **Climate ticket** reform that incentivised public transport use by making it more practical and cost-effective.
- **The Renewable Heating Law** reform banned fossil fuel-based heating system in new buildings, while targeted investment **replaced over 31 800 oil and gas heaters** in dwellings with renewable technology. Together, these measures accelerated the decarbonisation of Austria's building sector.
- **Providing 400 000 digital devices** to schools ensured pupils could develop essential digital skills, while the **School Digitalisation Act** created conditions for teacher training and the digitalisation of school infrastructure.
- **The education bonus** reform incentivised long-term unemployed people to participate in training courses, enabling at least 94 000 people to benefit from investment in **reskilling and upskilling** measures.
- **The start-up package reform** boosted the attractivess of Austria's business environment by introducing a new legal form for start-ups and innovative businesses, while investment support for over 17 000 projects helped **small to medium-sized enterprises (SMEs) to digitalise** their business models.

Austria also benefits substantially from RRF investments in other Member States. These **spillover effects** are estimated to increase Austria's GDP by **EUR 9.3 billion**, more than doubling the economic impact of the country's grant allocation. Thanks to its strong manufacturing base, deep integration in the single market and good innovation performance, Austria is among the main beneficiaries of RRF spillovers in the EU.

5), Austria is vulnerable to supply chain disruptions. Austria produces some critical raw materials (e.g. tungsten ([4])), but remains reliant on imports from a limited number of third countries for others, especially rare earths. Reinforcing circular economy practices and strengthening cooperation within the Single Market and with strategic partners can reduce risks. In the digital field, the authorities have taken steps to reduce dependencies on non-European providers, with several ministries diversifying their use of software ([5]).

([4])https://rmis.jrc.ec.europa.eu/cp/AT.

([5])https://www.parlament.gv.at/dokument/XXVIII/AB/637/imfname_1687988.pdf.

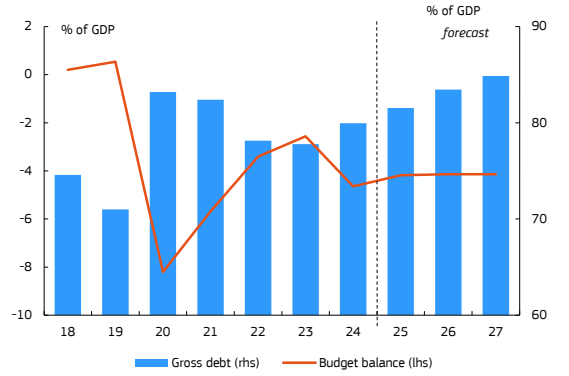
Austria's public finances face significant pressures

Austria faces significant fiscal challenges, notably due to spending pressures from demographic ageing. Under its medium-term fiscal-structural plan (MTP) for 2025-2029, Austria committed to limiting net expenditure growth and aimed to reduce its deficit below 3% of GDP by 2028. It sought to doing so while keeping public debt on a plausible downward path, in line with its excessive deficit procedure, which was opened simultaneously in 2025 (see Annex 2). This trajectory implies an improvement of the structural primary balance of 2.1 pps of GDP

between 2025 and 2029. Consolidation efforts in 2025-2026 only partially address these challenges, as Austria faces one of the highest age-related spending pressures in the EU and also intends to slightly increase its defence expenditure. Additional fiscal consolidation measures and comprehensive structural reforms would help meet the fiscal targets and boost potential growth.

Public debt continues to rise despite the estimated gradual decline in the government deficit. The general government deficit declined to 4.2% of GDP in 2025, from 4.6% of GDP in 2024, largely because of the adoption of several consolidation measures. The Commission Spring 2026 Forecast projects a deficit of 4.1% of GDP in 2026 and 2027. Public debt is expected to increase from around 81.5% in 2025 to 84.9% in 2027, mostly due to persistent fiscal deficits and subdued GDP growth.

Graph 1.2: **General government budget balance and gross debt**



Source: European Commission, Spring Forecast 2026

Austria's fiscal strategy focuses on controlling expenditure and preserving public investment. The country's share of public expenditure is among the highest in the EU, at 55.2% of GDP in 2024 and projected to decrease to 55.0% of GDP in 2027. To contain public spending, the government took measures such as abolishing the 'climate bonus' (a lump-sum compensation for CO_2 pricing), suspending the state-financed educational leave, lowering the spending ceiling for ministries, reducing climate subsidies to firms and households, and increasing health insurance contributions for pensioners. Public investment is projected to rise from 3.1% in 2019 to 4.1% of GDP in 2027. For instance, about EUR 5.5 billion (1% of GDP) was earmarked for a new pact for research, technology and innovation (2027-2029) (see Annex 2).

Defence spending in Austria is limited but is expected to increase slightly. In order to facilitate increasing public spending on defence, the Council of the European Union has activated the national escape clause (NEC) for defence for Austria ([6]). Total government expenditure on defence amounted to 0.7% of GDP in 2025 and is forecast by the European Commission to be 0.9% of GDP in 2026 and 1.0% in 2027 (see Annex 2). Under the Austrian armed forces development plan '2032+', defence spending would increase to 1.8% ([7]) of GDP by 2032 (see Annex 2) ([8]).

Making the tax mix more growth-friendly and improving the efficiency of public spending

There is scope to make the tax mix more growth-friendly by shifting the tax burden away from labour and social contributions. Austria's labour tax wedge ([9]), especially at lower wage levels, remains high, discouraging job creation and labour market participation (see Section 4). In 2025, Austria received a country-specific recommendation (CSR) to improve the tax mix to reduce the high tax wedge on labour and support

([6]) The activation of the national escape clause provides Member States with budgetary flexibility to increase defence expenditure, without an immediate need to finance this increase with spending cuts or revenue-raising measures. The flexibility thus gives Member States the necessary time to accommodate higher defence expenditure within national budgets.

([7]) This translates to 2% of GDP including pensions for former military personnel, which counts as social protection expenditure.

([8]) Landesverteidigungsbericht 2024/2025.

([9]) The labour tax wedge is the difference between total labour costs and take-home pay. https://iate.europa.eu/entry/result/884650/en

inclusive and sustainable growth in a challenging fiscal environment. In recent years, Austria has started to diversify its revenue sources. It has done so, including by (i) introducing a national CO_2 price for fossil fuels in sectors not covered by the EU emissions trading system (ETS); (ii) raising tax rates for gambling, tobacco and private foundations; and (iii) tightening the tax rules for share deals involving real estate-owning companies. In addition, the 2023 reform to partly eliminate "bracket creep" has mitigated inflation-driven increases in the labour tax wedge. However, taxes on labour income and social contributions remain high, and there is scope to make better use of less distortive revenue sources. For instance, recurrent property taxes are comparatively low, and Austria is one of the few Member States without an inheritance tax.

The pension system faces significant sustainability challenges and supplementary schemes remain underdeveloped. Austria has the EU's second-highest share of public pension expenditure, at 14.5% of GDP in 2025 ([10]). This partly reflects its low effective retirement ages (62.4 for men, 60.4 for women in 2024 ([11]), in spite of measures taken to prolong working lives (see Section 4). Federal transfers to the pension system are significant and expected to reach 4.2% of GDP by 2030 (7.3% when including civil servants ([12])). Austria received a CSR in 2025 to improve the fiscal sustainability of the pension system and to significantly increase the effective retirement age. From 2026, stricter eligibility rules for the 'corridor pension' early retirement scheme are expected to raise the effective retirement age somewhat. However, early and statutory retirement ages would remain relatively low over the next decades compared with other Member States, limiting the extent to which effective retirement ages can rise further. Supplementary pensions only play a minor role in the provision of retirement income, with low coverage, notably in the absence of auto-enrolment, and limited financial depth. They rely mostly on voluntary occupational schemes and individual savings (see Annexes 2 and 6).

The healthcare system suffers from fragmentation and inefficiencies, with limited coordination and cost-effectiveness. Austria received a CSR in 2025 to improve the fiscal sustainability of healthcare, by, among other things, streamlining hospital infrastructure, improving cost-effectiveness of healthcare and strengthening expenditure control. Austria increased the health insurance contribution rate of pensioners, but this is only expected to provide temporary relief to health insurance to mitigate its growing deficit. Budgetary control and governance continue to be undermined by a poor adherence to agreed expenditure targets and performance benchmarks. Despite low hospital bed occupancy rates, spending remains skewed towards in-patient hospital care, with health insurance funds required to pay a fixed budget to hospitals (see Annex 15). Although valuable measures were introduced thanks to the recovery and resilience plan and a new healthcare reform fund was established in 2026, efficiency gains from investments in primary care and digitalisation have been limited due to insufficient regulatory support, e.g. a lack of patient steering or limited usability of electronic health records. In addition, the uptake of generic medicines remains relatively low, and the system has not tapped into the full potential of involving various non-physician health professionals in patient management (see Annex 2). Overall, cost-effectiveness remains a concern. Despite high spending on prevention, Austria records among the highest levels of alcohol consumption and smoking in the EU and a higher rate of preventable mortality than most comparable peers.

The long-term care system could be improved through better governance and integrated care. Austria received a CSR in 2025 to improve the fiscal sustainability of long-term care, including by improving its cost-effectiveness and strengthening expenditure control. Financial sustainability

([10]) European Commission (2024): Ageing Report 2024, Institutional Paper, day month.

([11]) Statistics Austria 2025.

([12]) Alterssicherungskommission 2025.

Box 3: **Contribution of cohesion policy funds**

EU cohesion policy funding is supporting Austria's efforts to boost competitiveness, environmental sustainability, as well as skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([13]) are providing EUR 1.07 billion (amounting to EUR 2.7 billion paired with national co-financing) to Austria. The value of selected projects corresponded to 65.3% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** More than EUR 443 million is allocated for research and innovation, SMEs' competitiveness and for the regions most affected by the transition away from carbon-intensive activities. Around 248 firms have already seen their projects approved.

- **Decarbonisation, energy affordability and sustainability.** More than EUR 295 million is dedicated to clean transition projects and for the regions most affected by the transition away from carbon-intensive activities, including nearly EUR 25 million to circular economy investments in SMEs. EUR 100 million supports energy efficiency interventions.

- **Skills, quality jobs and social fairness.** EUR 232 million is allocated to supporting lifelong learning, reskilling and upskilling and to helping workers to adapt to change, while EUR 120 million is earmarked for fighting poverty, including material deprivation and supporting active inclusion. In addition, social innovation and equality are strengthened and around a third (30%) of European Social Fund Plus (ESF+) funding is dedicated to youth employment policies and more than a fifth (21%) to combating child poverty.

In addition to cohesion policy funding, Austria will be allocated up to EUR 579 million under the Social Climate Fund over 2026-2032 to help mitigate the social impact of the new emissions trading system (ETS2), supporting vulnerable households, vulnerable transport users and small businesses.

and quality of services are lacking binding expenditure targets and stronger integration with healthcare services, to reduce cost-shifting between the sectors. Despite the principle of 'outpatient care before inpatient care', the relatively high share of spending on residential care suggests that there is scope for efficiency gains. A spending review could identify opportunities to align care settings with dependency needs (see Annex 2). At the same time, significant regional disparities in service provision and co-payments point to uneven quality and adequacy of care (see Annex 12).

The coverage and binding nature of the medium-term budgetary framework could be strengthened to sustain fiscal efforts over time. Austria received a CSR in 2025 to simplify and rationalise fiscal relationships and responsibilities across layers of government and to ensure financing and spending responsibilities are clearly aligned. A positive development is the agreement on a new Austrian stability pact in November 2025, which sets debt and deficit targets for federal, regional and local governments and strengthens reporting requirements at the regional level. However, the pact does not include dedicated targets for social security funds that contribute to the deficit of the federal level and faces limitations due to possible inconsistencies between the sub-national deficit targets and net expenditure ceilings used at national level. At the same

([13]) European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), Cohesion Fund (CF) and Just Transition Fund (JTF).

time, the medium-term budgetary framework is usually revised annually with a new budget, thus weakening the credibility of its targets.

Coordination across and between levels of government is complex and contributes to capacity constraints and fiscal challenges. Sub-national entities play a crucial role in delivering public services, but they have limited tax autonomy and contribute significantly to the public deficit. Out of the 2 092 municipalities – more than half of which have fewer than 2 000 inhabitants – many lack the administrative and financial capacity to deliver public services efficiently, maintain infrastructure and promote economic development. Moreover, existing cooperation between municipalities remains patchy and inconsistent. A first step for more effective inter-municipal cooperation could be linking current municipal data islands into an interoperable data exchange platform. Moreover, incentivising multi-purpose service platforms ('*Mehrzweckverband*') at the functional level could help improve economies of scale, service quality and cost control (see Annex 7).

EU funding instruments provide considerable resources to Austria. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Austria with an EU contribution of EUR 6.1 billion under the CAP strategic plan for 2023-2027 ([14]). A further EUR 335.9 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Austria, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

([14]) 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.

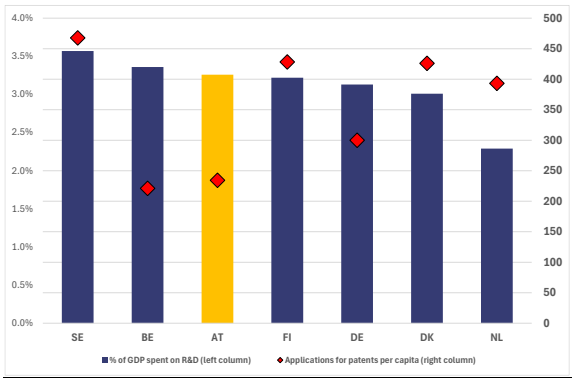
INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

The 2025 country-specific recommendations (CSRs) for Austria focused on translating high R&D spending into innovation outputs, accelerating advanced digital adoption by firms, promoting start-up creation and scaling, and reducing regulatory and administrative burdens. Some of these challenges were addressed by targeted measures. These included (i) updating the research tax credit rules; (ii) adopting the new RTI pact (iii) launching the industrial strategy 2035 with dedicated funding; (iv) fully digitising business registration via GISAExpress; (v) adopting the *Flexible Kapitalgesellschaft* flexible company form; (vi) rolling out the package for small to medium-sized enterprises (SMEs) (*Mittelstandspaket*); and (vii) presenting an administrative simplification package with 113 concrete measures. However, significant challenges related to innovation and business environment persist.

High spending yields uneven innovation performance

Austria's high R&D expenditure fails to deliver proportionally high innovation outputs. Austria received a CSR in 2025 to improve the translation of the high levels of R&D investment into marketable solutions. Austria ranks among the EU's top R&D spenders (3.3% of GDP in 2024 – third highest in the EU and well above the 2.2% EU average; ([15]), yet innovation outputs underperform relative to investment. Austria ranks eighth in the European Innovation Scoreboard ([16]). It trails behind innovation leaders, in particular in digitalisation, cloud adoption and SME product innovation. Furthermore, key indicators of scientific excellence have slightly deteriorated over time: Austria's share of publications within the world's top 10% most-cited scientific publications has been on a downward trend since 2017 ([17]), though Austria remains seventh globally in the per capita Nature Index ([18]).

Graph 2.1: **Austria underperforms in patent applications despite a top R&D spender**



Source: Eurostat, European Patent Office

The RTI (research and technology infrastructures) strategy 2030 guides Austria's research and innovation policy; its mid-term evaluation reveals that half of its 20 numerically trackable targets for 2030 will be met at the current pace ([19]). In the new three-year RTI pact adopted this year, R&D funding will rise somewhat

([15]) Eurostat, 2026, GERD by sector of performance, Ec.europa.eu.

([16]) 2025 European Innovation Scoreboard, country profile Austria, Ec.europa.eu.

([17]) European Commission, Science-Metrix data using the Scopus database.

([18]) Nature Index 2025, nature.com; Eurostat, 2026, Ec.europa.eu.

([19]) Austrian Institute of Economic Research (WIFO) and Austrian Institute of Technology (AIT), 2025.

from EUR 5.05 billion (2024-2026) to EUR 5.5 billion (2027-2029) ([20]). This will help to achieve the 4% of GDP R&D intensity target by 2030. However, efficiency gaps persist. Science-business collaboration is well developed, but there remains scope to strengthen the translation of research results into breakthrough innovations and marketable solutions. To foster competitiveness, in 2026 Austria adopted the new industrial strategy 2035, prioritising nine key tech areas ([21]), with EUR 2.6 billion of funding for 2026-2029. However, its implementation would benefit from robust coordination of competencies across ministries and impact-oriented monitoring ([22]) (see Annex 4).

Firms lag in the adoption of some advanced digital technologies and broadband gaps persist

Austria performs well in basic SME digitalisation and artificial intelligence but trails in other advanced digital tools. The 2025 CSR urged Austria to step up the use of (advanced) digital technologies by companies. Austria already performs well in basic SME digital intensity and the uptake of artificial intelligence (AI) by companies. However, the adoption of other advanced digital technologies, such as cloud computing and data analytics, continues to lag behind the EU average. This adoption is hampered by limited targeted funding and uneven diffusion of data-driven technologies across firms (see Annex 4). Existing support measures, notably the SME.DIGITAL programme and the European Digital Innovation Hubs, have yet to close this gap.

Fixed broadband infrastructure remains underdeveloped, in particular in rural areas. As regards connectivity, Austria has almost complete 5G coverage but lags in fixed very high-capacity networks (VHCN) and fibre-to-the-premises (FTTP) connections, in particular in rural areas (see Annexes 5 and 19). Sustained investment and regulatory streamlining (notably, of spatial planning and permitting) are needed to address these gaps and improve deployment efficiency.

Funding gaps and regulatory hurdles dampen start-up scaling and productivity growth

Austria's business dynamic is constrained by low start-up scaling. Austria received a CSR in 2025 to promote business dynamism, and the creation and growth of young companies. With industry accounting for around 19% of total value added in 2024, Austria is vulnerable to structural shifts and export market competition. Labour productivity declined in 2023-2024 amid under-utilised capacities, in particular in manufacturing, construction, and some service sectors ([23]). Both the business creation and exit rates, and the share of high-growth companies remain below the EU average (2023). Moreover, business creation rates have fallen significantly in services – the largest sector of the economy ([24]). This signals inefficiencies in resource allocation towards higher productivity activities.

Austria introduced measures to facilitate business creation and growth of innovative companies. As of January 2026, business registration has been fully digitised through the Austrian Business Licence Information System (GISAExpress), making it possible to bypass manual review and to issue the business licence instantly. The '*Flexible Kapitalgesellschaft*', a new flexible company form launched in 2024, has supported the growth of start-ups by simplifying the share

([20]) Bundeskanzleramt, 2026, Bundeskanzleramt.gv.at.

([21]) AI and data, chips, robotics, quantum, advanced materials, biotech, green energy, mobility and aerospace.

([22]) Austrian Productivity Board, 2026, Industriestrategie Österreich 2035 - Kurzanalyse.

([23]) Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at.

([24]) OECD Economic Surveys: Austria 2026.

issuance process, ownership structure and the corporate tax system. With around 1 700 registrations as of mid-2026, the authorities project that 7 500 of such flexible companies will be active by 2029 (see Annex 5). In 2025, Austria also adopted a package (‘*Mittelstandspaket*’) consisting of smaller measures incentivising business investment and reducing the financial and administrative burden for SMEs (see Annex 5).

The venture capital and equity markets are not sufficiently developed, limiting financing for innovative firms. The 2025 CSR highlighted the need for better access to venture and growth capital. The number of start-ups in Austria remains high, supported by a favourable environment and various support schemes, but lack of later-stage funding hinders scaling. Moreover, start-up ecosystems are concentrated in Vienna, not fully tapping the innovation potential of Austria’s regions. In 2025, start-up funding dropped by 56% to the lowest level since 2019, with venture capital investments declining from 0.08% of GDP in 2021-2023 to 0.03% in 2022-2024, well below the EU average of 0.06% (see Annex 6). Austria’s pension funds accounted for only 1% of risk capital raised in 2007–2023, significantly trailing behind the 15% EU average ([25]). The capital market is also relatively small (28% of GDP at the end of 2024 vs 67% in the EU). To improve access to early-stage financing, in 2023, the Austrian Business Service (AWS) launched the venture capital fund ‘*Gründungsfonds II*’, with funding of EUR 72 million. In 2025, the government announced a new start-up and scale-up fund-of-funds ([26]), set to launch by early 2027, aimed at mobilising EUR 500 million, including up to EUR 100 million in public capital.

Strengthening the supplementary pension pillar could unlock long-term capital. The 2025 CSR urged Austria to remove barriers hindering investment by institutional investors in equity instruments. Despite demographic challenges, participation in occupational and private pensions remains low, with pension fund assets amounting to only 7.2% of GDP in 2024 (vs 32.3% in the EU) (see also Section 1). Strict capital guarantee requirements and withdrawal rights limit equity exposure, contributing to the very low 10-year average real return on assets (-0.1% vs 1.4% in the EU) managed by Austrian pension funds. In December 2025, the government announced a reform of the second pension pillar to expand access ([27]), enhance transparency and allow higher equity allocations in early investment phases ([28]). Swift and rigorous implementation is essential to improve the functioning of the second pension pillar and to deepen Austria's equity market.

Complex regulations and slow permitting raise business costs and hinder competition

Administrative and regulatory burden weigh on the business environment (see also Graph 2.1). For this reason, the CSR from 2025 recommends simplifying regulation and reducing administrative burden as well as accelerating permitting procedures and strengthening competition to lower prices. More firms in Austria than the EU average consider regulations to be an obstacle to investment ([29]), requiring them to commit significant resources to bureaucratic tasks. Moreover, permitting procedures are still complicated by, among other things, heterogeneity of requirements across the federal states.

Planned simplification measures could ease the administrative and regulatory burden if implemented effectively. The administrative simplification package (‘*Entbürokratisierungspaket*’) presented in December 2025 proposes 113 measures to

([25]) 2024, CEPS, Closing the gaping hole in the capital market for EU start-ups – the role of pension funds.

([26]) Rot-Weiß-Rot Dachfonds.

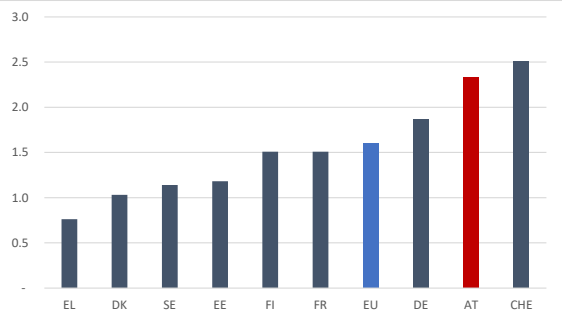
([27]) Currently covering around 25% of active workforce.

([28]) https://www.bundeskanzleramt.gv.at/dam/jcr:9a1faeb7-b693-4400-ac3b-52a053d1464e/35_28_mrv.pdf.

([29]) European Investment Bank, 2026: EIB Investment Survey 2025.

reduce regulatory and administrative burden for companies, individuals and the public sector (see Annex 5). ([30]) The industrial strategy 2035 also targets the reduction of administrative burden, for instance by digitalisation and one-stop-shop procedures ([31]), but execution details are missing. In addition, a proposed reform of the Trade Code aims to eliminate on-site paper documentation, reducing the need for thousands of site inspections every year ([32]) (see Annex 5).

Graph 2.2: **Administrative and regulatory burden**



Source: Source: OECD, Product Market Regulation (PMR) indicators, 2024([33])

Restrictiveness in services trade and regulatory barriers in specific professions persist. The regulation of professions, e.g. via the Trade Code or via professional chambers, aims to ensure quality standards and consumer protection. However, it also limits competition and creates additional costs for businesses. Foreign professionals may be required to pass a local examination to obtain a licence to practice, creating impediments for trade in services in the single market. Civil engineering professions stand out as being heavily regulated in a recent OECD comparison ([34])([35]). Labour market tests for non-EU professionals are frequently applied even in cases of intra-corporate mobility. Easing administrative requirements in the implementation of posting of workers rules could reduce regulatory fragmentation within the single market, facilitate cross-border mobility and foster competitiveness, without undermining workers' protections (see Annex 5).

High consumer prices reflect limited competition and territorial supply constraints. Identically branded products are often more expensive in Austria than in neighbouring Member States (notably in Germany) even if corrected for factors such as tax rates ([36]). Market entry in retail is difficult due to oversaturation and stringent establishment rules ([37]). The food sector is dominated by four large players (91% market share), limiting competition. Austria's food prices are the fifth highest in the EU ([38]). In general, Austria lags behind on timely and correct transposition of EU directives (see Annex 5), further fragmenting the single market.

A proposed reform of the Trade Code has the potential to complete the one-stop-shop and accelerate business permitting. The reform would enable businesses to apply for building permits via the same one-stop-shop used for business installation permits. Moreover, attachments to submissions would generally be accepted also in English. If fully implemented – requiring effective cooperation across the local, Länder and federal levels – this measure could reduce permitting delays and ease administrative burden.

([30]) Federal Ministry of European and International Affairs, 2025, *Entbürokratisierungspaket,* bmwet.gv.at.

([31]) Industriestrategie Österreich 2035, bmwet.gv.at.

([32]) Austrian Parliament, 2025, parliament.gv.at.

([33]) The indicator is based on survey information about requirements for setting up new enterprises and accessibility of information about national regulations. A lower score indicates a lower burden.

([34]) OECD PMR indicators, 2025, Austria note.pdf.

([35]) This relates, among others, to local examination requirements and mandatory membership in the professional chamber to be allowed to practice under the professional title of a civil engineer, shared exclusive rights to provide activities, and restrictions on ownership and voting rights for non-licensed professionals.

([36]) Austrian Federal Competition Authority, Inquiry into the food sector, Final report 2023.

([37]) European Commission, 2022, *Retail restrictiveness indicator (2022 update).*

([38]) Eurostat, 2024: Comparative price levels for food, beverages and tobacco - Statistics Explained.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

Austria has made some progress in addressing its 2025 country-specific recommendations (CSRs) on energy costs, fossil-fuel dependency and emissions reductions, but significant challenges persist across all policy areas. The 2025 CSRs called for tackling high energy costs, reducing fossil-fuel dependency, accelerating renewable deployment and infrastructure, and cutting emissions in transport and industry through electrification and efficiency gains. While measures to lower energy prices, expand renewables and decarbonise transport and industry have been introduced, further acceleration, stronger incentives and more coherent implementation are needed to meet climate and energy targets.

Sustaining efforts for lower energy prices and for a resilient and flexible energy system

Austria took several measures to tackle high energy prices, but full implementation of the Electricity Act will be key to achieving lasting price reductions. Given the above-average energy prices, Austria received a CSR in 2025 to tackle high energy costs including through a reform of the Electricity Act, by improving the flexibility of the energy system and incentivising power purchase agreements. (PPAs). The Electricity Act, which was adopted end of 2025, represents a structural overhaul of the electricity market, and aims to improve system flexibility, grid efficiency, digitalisation, renewable integration, PPAs and consumer rights, including transparency, dynamic pricing and affordability through a social tariff for vulnerable households. Austria also adopted several short-term relief measures (such as reducing the electricity levy and introducing an electricity price compensation scheme for energy-intensive companies for 2025-2026 which have lowered household retail prices by 9% in February 2026 (see also Annex 9). The industry strategy 2035 announces a prolongation of the energy-price compensation measure for energy-intensive industries, plus a special industry electricity price as of 2027 following the example of Germany. However, full and timely implementation of the Electricity Act is key to achieving sustainably and structurally lower prices. Austria introduced a time-limited "fuel price break" consisting of a reduction of mineral oil tax and a cap on fuel price margin to protect consumers from rising energy costs because of the Middle East conflict.

Clean energy is generally well advanced, but wind energy deployment lags behind. Austria received a CSR in 2025 to accelerate the roll-out of renewable energy and the required infrastructure, particularly by simplifying permitting procedures and putting in place dedicated acceleration areas. Austria set itself the target of 100% renewable electricity supply (national balance) by 2030 in its Renewables Expansion Act, a key reform in the recovery and resilience plan. Renewable energy accounted for 83.9% of electricity generation in 2025, with a high share of hydro power. Wind expansion is slow, with only 0.2 GW added in 2025 (+2% vs 2024), which is far below the 1.4 GW onshore target for 2024–2026 under the EU wind power action plan (see Annex 9). Regional disparities persist, as wind energy is concentrated in the east, while provinces in the west have no installations. Given the seasonal variability of hydropower and photovoltaics, wind energy is a cost-efficient complement to reduce the need for electricity imports, especially in winter. Reliance on electricity imports in winter due to lower seasonal generation and high demand drives up prices as gas fired plants maintain their structural role as the dominant,

and costly, marginal price-setting technology (35% of price-setting hours over the year for only a 13% share of electricity generation).

Accelerating renewables permitting – particularly for wind – is crucial to meet Austria's clean energy targets and reduce fossil-fuel dependency, but delays in the Renewables Acceleration Act hamper progress. Austria received a CSR in 2025 to simplify permitting for renewables. In autumn 2025, Austria held a public consultation on the draft Renewables Acceleration Act, which will i.a. transpose the Renewable Energy Directive (RED III). However, the Act is still awaiting adoption by the Austrian Parliament, complicated by provincial competencies over spatial planning and zoning. Burgenland is the only federal state so far that has provided comprehensive mapping and go-to areas for wind energy. It will be important for the potential of acceleration areas to match the targets laid down in the Renewables Expansion Act and the national energy and climate plan (NECP). For regulatory measures to develop their full potential, sufficient staff and experts, including in the courts, are needed. There is also scope to increase the local acceptance of wind power through financial incentives for communities and municipalities.

Promoting flexibility, upgrading the electricity grid and increasing storage remain key to driving the clean energy transition. Fast implementation of the Electricity Act will be necessary to unlock its full potential for improving grid efficiency and system flexibility. There is potential to increase storage capacity, including batteries, but while there are several projects for extending storage capacity (see Annex 9), they are hampered by the generally long permitting times for energy infrastructure projects. In addition, high infrastructure costs – projected at EUR 53 billion for transmission and distribution grids by 2040 – remain a major challenge. The government's grid operator support programme (via state guarantees) is a step forward, but a dedicated grid infrastructure fund ([39]) or the dedicated use of emissions trading system (ETS) revenues could improve financing for investments in energy infrastructure. ETS revenues amounting to EUR 1.7 billion for the period 2021-2025 have not been used for decarbonisation investments([40]). Austria's electricity interconnection is at 24.3%, but interconnectivity varies across borders. Especially on the borders with south-east Europe, congestion seems more frequent, leading to high price disparities during peak times in summer. Maximising cross-zonal electricity trading over existing cross-border infrastructures in a regionally coordinated manner while respecting operational security requirements will help to balance supply and demand on a wider scale. In addition, expanding interconnections with central and south-east Europe, as identified in the ten-year network development plan, would enhance regional resilience. Reinforcing the internal transmission network is also important for overall network development. (see Annex 9).

Strengthening efforts to decarbonise industry and transport through electrification and clean industrial infrastructure

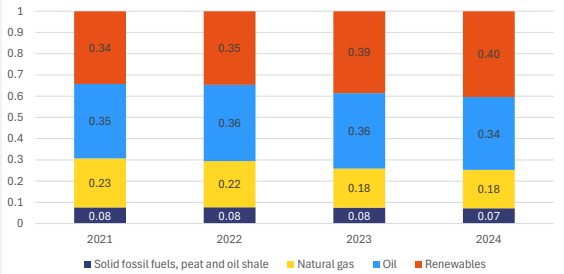
Austria has taken measures to reduce greenhouse gas emissions, but not yet quickly enough to meet its 2030 targets and achieve climate neutrality by 2040. The 2025 CSRs highlighted the scope for reducing overall reliance on fossil fuels, for improving energy efficiency and for stronger emission reductions, particularly in the transport and industrial sectors. Austria has made some progress, while further measures would be beneficial. In 2024, greenhouse gas emissions fell by 3% across all sectors, partly due to the economic downturn and milder weather conditions but also supported by climate measures such as the expansion of renewable energy, CO_2 pricing and incentives

([39]) Bundesministerium für Wirtschaft, Energie, Tourismus: Industriestrategie Österreich 2035.

([40]) EU ETS Auctions2 (weblink: EU ETS Auctions | EEX).

for switching to climate-friendly solutions ([41]). However, emissions are projected to have increased again, by 1%, in 2025 ([42]). Based on current greenhouse gas emission scenarios, Austria is not on track to meet its 2030 emission reduction targets ([43]) and would benefit from greater decarbonisation efforts. National funding for the climate and the environment has been reduced as part of budget consolidation. By phasing out environmentally harmful subsidies, Austria could both promote decarbonisation ([44]) and create more fiscal space ([45]) (see Annex 3). Consistent implementation of the measures set out in the NECP is key ([46]).

Graph 3.1: **Energy Mix**



(1) In 2024, gross inland energy consumption in Austria was 1,330 TJ (2.5% of the total EU consumption)
Source: Eurostat - NRG_BAL_C

Austria is taking action to decarbonise industry while preserving competitiveness, but effective implementation and sustained support are critical. Manufacturing remains the largest source of greenhouse gas emissions in Austria, although emissions have been reduced lately. Certain regions are characterised by a high concentration of fossil-fuel-dependent and energy-intensive sectors accounting for a large portion of jobs (see Annex 18). Austria has taken measures to promote industry decarbonisation, such as targeted funding to complement EU ETS carbon pricing, the Transformation of Industry programme and the Climate and Energy Fund (see Annex 8). In January 2026, Austria presented its industrial strategy 2035, which aims to secure growth and competitiveness. It also seeks to decarbonise industry through measures such as advancing hydrogen infrastructure, lifting the ban on geological CO_2 storage and establishing a legal framework for geothermal energy. A coherent and effective implementation of this strategy ([47]) and sustained support for transitioning industrial production and developing integrated clean industrial infrastructure will allow Austria to harness its potential.

Transport emissions have decreased only slightly and there is no structural basis for sustained progress. Road transport is Austria's second largest source of greenhouse gas emissions. Austria reduced its emissions by 2.7% in 2024 ([48]), primarily due to falling freight traffic as a result of adverse economic conditions. While significant greenhouse gas emission reductions in the effort-sharing sectors ([49]) are key to Austria achieving its targets in these sectors, policy steps taken so far have remained limited (e.g. Climate Ticket, funding programmes for emission-free buses, commercial vehicles and heavy-duty vehicles, supported by the Recovery and Resilience Facility (RRF)). Motorised individual transport remains the dominant mode of travel, particularly in rural areas. Despite an increase in the use of public and rail transport, a comprehensive mobility transition has yet to be achieved (see Annex 8). Electric mobility is increasingly contributing to reducing emissions, and progress has been made in

([41]) Environment Agency Austria: Treibhausgas-Emissionen sinken 2024 um drei Prozent.

([42]) Environment Agency Austria: Anstieg der Treibhausgas-Emissionen für 2025 erwartet

([43]) Environment Agency Austria: Treibhausgas-Szenarien für die langfristige Budgetprognose 2025.

([44]) Daniela Kletzan-Slamanig et al. (2022): *Analyse klimakontraproduktiver Subventionen in Österreich*, WIFO Study.

([45]) Fiscal space is the flexibility available to the government for its spending choices.

([46]) Environment Agency Austria: Treibhausgas-Emissionen sinken 2024 um drei Prozent.

([47]) Austrian Productivity Board: Industriestrategie Österreich 2035: Von der programmatischen Leitlinie zur wirksamen Umsetzungs- und Steuerungsarchitektur.

([48]) Environment Agency Austria: Rückblick Sektorale Entwicklung.

([49]) These sectors are domestic transport (excluding aviation), buildings, agriculture, small industry and waste.

expanding charging infrastructure and introducing the 'eMove Austria' programme, supporting electric mobility. Further expansion is particularly important in rural areas. Fiscal incentives are an important lever for promoting the mobility transition and increasing independence from fossil-fuel imports. However, Austria has taken counterproductive steps by phasing out tax incentives for e-mobility and abolishing the vehicle registration tax (*Normverbrauchsabgabe)* for small transport vehicles. In line with its commitment under the NECP to reduce fossil-fuel subsidies, it will be important to clarify the scope and timetable for their phase-out through the working group that Austria has set up to address environmentally harmful incentives and subsidies.

Austria has introduced subsidy schemes that support thermal renovations and renewable heating technology. As a result of the RRF-supported Renewable Heating Act (2024), which prohibits the installation of fossil heating systems in new buildings, in combination with subsidy schemes, the share of households using fossil heating declined from around 50% in 2003 to just under 38% in 2025 ([50]). Achieving climate neutrality by 2040 would require replacing approximately 25 000 oil-based heating systems and 47 000 gas-based systems annually. With subsidy budgets reduced, further decarbonisation requires alternative funding and regulatory reforms, including of the Tenancy Act (*Mietrechtsgesetz*) and the Residential Property Act (*Wohnungseigentumsgesetz*) (see Annex 9).

Final energy consumption declined in industry, services and transport, but fell only marginally in the residential sector. The decreases are driven by modal shifts towards public transport and rail, and fleet renewal. Gains from energy renovations, supported by the Renewable Heating Act and financial incentives, were offset by an expanding housing stock and an increase in average dwelling size. This underlines the need for additional measures to meet targets under the 2030 Energy Efficiency Directive, in particular by addressing regulatory barriers, and funding gaps for the renovation of multi-storey residential buildings (see Annex 9).

Adapting to extreme weather events as costs are starting to strain public finances

Austria has strengthened its climate adaptation framework but rising economic losses from extreme weather events are increasingly burdening public finances. Austria has started to systematically integrate climate adaptation into its policy framework. In 2025, it adopted the RRP-supported 'climate checks' reform, which requires new legislative proposals to assess climate risks and adaptability. Nature-based solutions that link climate adaptation to biodiversity and habitat conservation are increasingly being incorporated into policy responses ([51]). Moreover, Austria's energy and transport infrastructure has a low level of vulnerability and is bound by law to monitor and address climate-related risks ([52]). Despite these efforts, projections show that Austria will need to increase its annual spending on climate adaptation by 60% ([53]) – EUR 1.6 billion up to 2050 – as economic losses from climate change continue to increase. Average annual net damages are projected to reach EUR 4.3–10.8 billion by 2050, driven in part by increasingly frequent major floods. Between 1980 and 2024, Austria had the fifth highest losses per capita from extreme weather events in the EU, but only 19% of these

([50]) Gebäudereport 2025 and https://www.erneuerbare-energie.at/fd-hiw-nachbericht.

([51]) Federal Ministry for Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, *Biodiversitätsstrategie Österreich 2030+*, Link.

([52]) Critical Entities Resilience Act.

([53]) European Commission, 2026, Assessment of EU and Member States Adaptation Investment Needs.

damages are privately insured ([54]). However, very severe events – such as the floods in autumn 2024 - require additional ad hoc public funding. Strengthening incentives for private insurance coverage could rebalance the distribution of private and public risk and ease pressure on public finance as extreme weather events become more frequent. This, in turn, would free up additional resources for preventative measures. In particular, improved spatial planning and investing in nature-based solutions could help limit future flood damage.

Water resilience and sustainable land use are increasingly emerging as challenges for Austria. The eastern regions face seasonal water scarcity driven by rising demand, declining groundwater levels and comparatively low water productivity. By 2050, Austria's water demand is estimated to increase by 11-15% while water resources are set to decline by up to 23% ([55]). Reduced water availability also increases the density of pollutants in surface water bodies, which poses challenges for regions with high nitrate emissions. Moreover, in the past five years, the land use, land use change and forestry (LULUCF) sector has turned from a carbon sink into a net emission source. This has been caused by reduced growth rates, decay in forest soils and salvage loggings due to storms and bark beetle infestations. As a result, Austria is not on track to meet its 2030 target for net carbon removals ([56]). The forest-based bioeconomy is an important income and employment factor in certain rural areas. In 2020, Austria established the Austrian Forest Fund to support climate-resilient forests and biodiversity. Further stepping up action to strengthen forest health and improve ecosystem services, including through mobilisation of necessary investments, will be essential. Moreover, full and timely implementation of the national soil strategy is required to substantially reduce land use in Austria.

Austria produces the highest amount of municipal waste per inhabitant in the EU but this has been on a downward trajectory for several years. In 2023, Austria generated 782 kg of waste per capita compared with 511 kg per capita on average in the EU. An overall high recycling rate partially mitigates the problem of waste generation, except for plastic packaging, which remains below the EU average. Austria has taken steps to address this problem through the 2022 circular economy strategy and two RRF-funded initiatives ([57]). These include a 'repair bonus'([58]) scheme to extend the lifespan of electrical and electronic devices and a new deposit-refund system for plastic and metal packaging launched in 2025. Strong waste management policies, including separation, reuse and recycling, have been the main driver behind the reduction in greenhouse gas emissions from waste ([59]).

([54]) Economic losses from weather- and climate-related extremes in Europe | Indicators | European Environment Agency (EEA).

([55]) Federal Ministry Republic of Austria, 2023, Austria's Water Treasure, Link.

([56]) Austria's Annual Greenhouse Gas Inventory 1990-2024 p.18.

([57]) The Austrian Circular Economy Strategy p.10.

([58]) Following the expiry of the 'repair-bonus' in May 2025, the scheme was reintroduced in 2026 in a revised form and under the new name 'Geräte-Retter-Prämie'.

([59]) News | Treibhausgas-Bilanz 2024 | Umweltbundesamt.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

Austria has made some progress in addressing its 2025 country-specific recommendations (CSRs) on labour supply, skills development and social inclusion, but significant challenges persist across several areas. The 2025 CSRs called for increasing labour market participation of women, improving the quality and availability of childcare, raising basic skills from an early age, strengthening green skills and enhancing the labour market integration of older workers and disadvantaged groups. While measures were introduced to expand early childhood education and care, adapt vocational training curricula for the green transition, reform pension pathways and strengthen adult learning programmes, further efforts are needed to reverse declining basic skills levels, reduce high part-time rates among women, address apprenticeship shortages and improve social protection among vulnerable groups.

There is scope to raise full-time labour market participation of women

Despite strong female labour market participation, part-time work among women remains high, lowering overall hours worked and constraining women's lifetime incomes. In 2025, Austria received a CSR to create incentives to boost the numbers of hours worked overall and the full-time labour market participation of women. In 2025, the share of women working part-time decreased slightly (by 1.5 pps to 49.6%) but remains the second highest in the EU. Average usual weekly hours worked across genders stagnated at 35.8 hours ([60]). Widespread part-time work among women also contributes to one of the highest unadjusted gender pay gaps in the EU and gender gap in lifetime earnings, with a significantly higher share of women working in low-paid jobs ([61]). Together with shorter contributory periods, this leads to lower pensions for women on average, resulting in a higher poverty risk in old age among women. A shift to higher pay transparency could help reduce the relatively high gender pay gap and thereby create and incentivise more weekly hours for women ([62]). Caregiving responsibilities are listed as the main reasons for part-time employment (see graph 4.1) among women in Austria (over 40%), while less than 25% of women working part-time do not desire full-time employment. Recent reforms focused on improved tax incentives for overtime and holiday work but did not tackle the disincentives in the tax and benefit system to shift from part-time to full-time employment ([63]) as well as the single-earner tax credit which in many cases leads to a disincentive for one parent, often women, to work full-time ([64]).

([60]) Average actual weekly hours worked stagnated, at 33.8 hours. On both indicators, Austria is among the lowest in the EU.

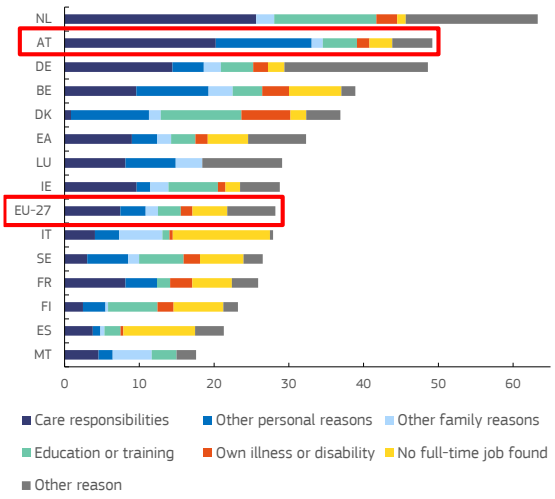
([61]) Statistik Austria, Gender pay gap in Austria at 17.6% in 2024, 2026.

([62]) IMF, Austria. Selected Issues. IMF Country Report No. 24/108, 2024.

([63]) Increasing hours worked from 0% to 50% and from 50% to 100% in Austria entails a large loss of earnings due to taxes, lower benefits and net childcare costs, amounting to up to 80% of earnings. See OECD (2024): OECD Economic Surveys: Austria 2024.

([64]) See also OECD Economic Surveys: Austria 2026 (EN).

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
(2) Data excluded for countries with women's part-time work below 20%
Source: Eurostat, lfsa_eppga and lfsa_epgar

Participation in early childhood education and care improved, but challenges remain in terms of quality and regionally uneven provision. In 2025, Austria received a CSR to improve the quality and availability of childcare services in order to support the full-time labour market participation of women. In recent years, measures have been implemented to increase the number of places in early childhood education and care, along with additional training for staff. A second compulsory year in ECEC is envisaged to be introduced in 2027. However, both access and quality remain uneven across *federal states* and municipalities, also due to the significant fragmentation of the governance system and of financing (see Annexes 13 and 18). In 2024, participation in early childhood education and care under the age of three was highest in Vienna and Burgenland, and lowest in Styria and Upper Austria ([65]). Shortages of qualified staff also imply a risk for quality. A compulsory quality framework with clear quality standards could help address uneven quality at the local level.

([65]) Statistik Austria, STATatlas - Daycare centers - attendance rates, 2026.

Improving basic skills and addressing skills shortages remain urgent priorities

Increasing support to pupils with a disadvantaged socio-economic background and addressing teacher shortages could contribute to increase basic skills and social cohesion. The 2025 CSRs called on Austria to improve levels of basic skills, starting from an early age, notably at school level. Basic skills in literacy, numeracy and digital competencies are declining (see Annex 13). Austria is off track to reach the European Education Area target of less than 15% underachievement by 2030, with wide socio-economic and regional disparities. Early school leaving is increasing, particularly among disadvantaged learners and those with a migrant background. Over a quarter of the Austrian population and students have a migrant background and face substantial gaps in education outcomes compared with non-immigrant students. Around 43.5% of young people with a migrant background attend schools for children with special educational needs ([66]); this share is twice as high as for their peers without a migration background (see Annex 13). Language training is a key enabler for early integration into education and acquiring solid basic skills. For this reason, the government increased the resources and revising the model for German language support in schools. Inclusive educational outcomes remain uneven across *federal states* ([67]). Pupils with a migrant background, from low-income households or in structurally weak regions, are more likely to underperform. Persistent teacher shortages, despite the adoption of a comprehensive human resource strategy, constrain the capacity to improve learning outcomes, particularly in disadvantaged regions, in science, technology, engineering,

([66]) https://www.statistik.at/fileadmin/publications/BiZ-2024-25.pdf.

([67])https://www.statistik.at/atlas/?languageid=1&mapid=thema_bevoelkerung_kth_bq&utmBundesergebnisbericht_iKMPLUS_PRIM_2023-2025.

and mathematics and vocational tracks (see Annex 13). Keeping young people in general education with systematic follow-up systems could help ensure that investment in education translates into higher participation, skills utilisation. The recently adopted 'Chancenbonus' programme aims to address these gaps. Targeted support combining basic skills, language learning, inclusive teacher training and flexible second-chance pathways could improve integration, employability and social cohesion.

Austria has made substantial progress on green skills, but skills shortages remain high with a clear regional pattern. In 2025, Austria received a CSR to step up policy efforts aimed at the provision and acquisition of skills and competencies needed for the green transition. Austria made substantial progress by adapting vocational education and training curricula, including new labour market responsive qualifications, including in the areas of greening (see Annex 13). Nevertheless, skills shortages and regional mismatches continue to hamper the recruitment of skilled tradespeople, for jobs requiring medium-level qualifications, vocational education and training (VET) qualifications or completed apprenticeships. High vacancy rates in some regions (e.g. Salzburg) contrast with relatively high unemployment in others (e.g. Vienna). Marked differences in rental prices, social housing availability and of childcare places for children under the age of three hinder regional labour mobility (see Annex 11).

The vocational education and training system faces growing challenges. Around 24 500 aspiring apprentices were unable to find placements in 2025, and regional disparities continue to affect the balance between supply and demand, with small- and medium-sized enterprises (SMEs) facing greater challenges. Training quality is also a concern, including the use of digital tools (see Annex 13). The public employment service partly addresses training gaps through supra-company apprenticeships, which provide access to vocational training for vulnerable young people. The apprenticeship system could be strengthened by bolstering the monitoring and delivery of basic skills in schools, including VET institutions, increasing access to education and training for individuals with a migrant background, ensuring rigorous quality control in both education and apprenticeships, and providing comprehensive psycho-social support.

Basic skills among adults have deteriorated, requiring stronger upskilling and reskilling efforts. Austria received a CSR in 2025 urging to raise the levels of basic skills in the overall population. The latest results of the OECD Programme for the International Assessment of Adult Competencies (PIAAC) point to a worsening trend in basic skills among adults, notably for literacy skills ([68]). To counteract this trend, Austria provides free and quality-assured basic skills classes for adults as well as courses leading to a compulsory school leaving certificate (see Annex 13). Further enhancing upskilling and reskilling efforts, including improving access to courses, together with a strengthened coordination of the future 'lifelong learning 2040 strategy' between the federal states and the federal level, could further improve basic skills and help Austria reach its 2030 adult learning target of 62%.

Labour market integration of older workers and disadvantaged groups lags behind, and poverty and housing risks remain elevated

Austria could do more to prevent early labour market exit of older workers and raise the effective retirement age. In 2025, Austria received a CSR to improve the labour market outcomes for older workers, to improve the fiscal sustainability of the pension system and to increase the effective retirement age (see Section 1). The gradual increase of the statutory pension age of women that started in 2024 has already contributed to improving the employment of older women and increased their effective

([68]) See Austria Country Report 2025.

retirement age, albeit from a low level. Recent reforms – including tighter access to early retirement, the introduction of a partial pension and support for the re-employment of older long-term unemployed, as well as the announcement of tax incentives for work after the statutory retirement age – are steps in the right direction but the effects remain to be seen. Moreover, Austria continues to work on implementing measures to address other drivers of early labour market exit. These relate to health problems, the need for age-adapted workplaces and roles, and the need for training, including for digital skills. Further incentives for deferred retirement would also improve the fiscal sustainability of the pension system and help Austria to reach its 2030 employment rate target of 79.9% (see Annexes 2 and 20).

Labour market integration policies for people with a migrant background and low-skilled jobseekers remain insufficient. In 2025, Austria received a CSR to improve the labour market integration of disadvantaged groups, such as low-skilled job seekers and people with a migrant background. In-work poverty in Austria rose in 2025 and people born outside the EU are significantly more at risk compared to those born in Austrian (22.4% vs 6%). For people with a migrant background, conditional integration measures starting from 'day one' have been announced. Further efforts are needed to support the recognition of qualifications, the validation of skills acquired outside the EU, and to provide flexible up- and reskilling opportunities, additional language classes, including at the workplace, and improve advisory services on the links between social benefits, housing and employment (see Annexes 11 and 12). From 2026, the former education leave (*Bildungskarenz*) will be replaced by a new streamlined system where financial support is no longer guaranteed as a legal entitlement ([69]). Sustained funding of active labour market policies could further improve the situation of low-skilled jobseekers.

([69]) Parlament Österreich, Nachfolgemodell für Bildungskarenz steht, 2025.

Poverty and social exclusion risks, particularly among children and vulnerable groups, rose in 2025. In 2019, Austria pledged to decrease its at-risk-of-poverty or social exclusion (AROPE) rate by 204 000 people by 2030. After two years of recession, and incomes in the lowest ten percentile growing at a slower pace than average and high incomes, the AROPE rate increased in 2025 to 18.8%, counter the EU wide trend (20.9%). Children were disproportionately more affected, with 25.3% (2024: 20.9%) being at risk of poverty or social exclusion, which places Austria above the EU average. At the same time, the impact of social transfers in reducing poverty decreased from 40.7% in 2024 to 32.8% in 2025, Austria is today further away from reaching its 2030 target than in 2019 and sustained and comprehensive anti-poverty policies remain essential to ensure sufficient progress. Significant regional imbalances persist (from 14.6% in Salzburg to 29.4% in Vienna) and groups such as older people, single parents, people with a migrant background and persons with disabilities face elevated risks (see Annex 12). People born outside the EU face an AROPE rate of 42.5% compared with 11.5% of those born in Austria (EU: 38.9%), resulting in one of the highest poverty gaps in the EU of 31 pps (EU: 21.3 pps). Access to integration measures is also hampered by non-compatibility with working hours or childcare or the lack of digital skills.

Regional differences in care provision and high service costs pose challenges to equitable access to long-term care. Long-term care (LTC) recipients face a high level of cost heterogeneity across Austria due to varying co-payment rates and social assistance schemes across *federal states*, which undermine equity in the uptake of care (see Annex 12). With a dominant focus on one-to-one care performed by family members or live-in carers (24h care), LTC provision remains expensive. The LTC allowance is only granted from 65 hours of care needs per month and co-payments are higher for low care needs. This creates an incentive for the use of informal care.

Shortages in the healthcare workforce limit timely access to healthcare. There is an uneven geographical distribution of health professionals, with the density highest in Vienna and up to 36% lower in regions such as Upper Austria. The share of general practitioners is low and has declined from 16% of all physicians in 2010 to 13% in 2023, leading to shortages especially in rural areas. At the same time, the number of doctors contracted with the public health insurance funds has stagnated, while the number of non-contracted physicians has more than doubled over the past two decades. This shift towards non- contracted private practice exacerbates geographical inequities and increases variation in waiting times for accessing healthcare. Moreover, the government estimates that around 51 000 additional nursing staff will be needed by 2030 compared with 2023, to replace retirees and meet rising care needs due to an ageing population (see Annex 15).

KEY FINDINGS

In areas **covered by existing country-specific recommendations**, Austria would benefit from:

- **strengthening the sustainability and efficiency of public finances** by containing the projected increase in age-related public expenditure (particularly on pensions, healthcare and long-term care), including by further raising the effective retirement age, as well as by enhancing the quality of spending and by simplifying the fiscal framework across and between government levels;

- **improving the tax mix** to support growth and jobs, by shifting the tax burden away from labour;

- **strengthening productivity by fostering innovation and business dynamism**, in particular by improving the efficiency of R&D spending and research commercialisation, by facilitating faster adoption of digital technologies, and better access to growth capital, including by strengthening supplementary pensions schemes and removing barriers for institutional investors;

- **reducing administrative burden, regulatory and single market barriers for businesses**, in particular in highly regulated business services, including by streamlined permitting and digital one-stop-shop solutions;

- **tackling high energy costs and accelerating the energy transition** by implementing and adopting the necessary regulatory reforms (electricity market and permitting, respectively) and ensuring investments in wind energy, grids and storage to make the energy system more flexible and to avoid electricity price-setting on the basis of expensive fossil fuels, in particular from imports;

- **further improving energy efficiency and reducing emissions in industry and transport**, in particular by accelerating the electrification of road transport, and by sustaining support for decarbonising industrial processes and developing a clean industrial infrastructure prioritising regions with the highest emission intensity;

- **addressing the high share of part-time work**, especially among women, through better labour market incentives including by improving tax incentives and further improving access and quality of early childhood education and care, also addressing regional disparities;

- **promoting human capital development** by accelerating efforts to bolster basic skills from an early age, including through an improved focus on equity and inclusion in education, and further promoting the availability of vocational education and training, addressing regional disparities; and targeted measures for the skills development of older workers, low-skilled and those with a migrant background to enhance labour market outcomes.

In **other areas**, Austria would benefit from:

- **reducing construction costs** by reviewing building standards and **expanding affordable housing** to alleviate pressures on new entrants and vulnerable groups and reduce severe housing deprivation.

ANNEXES

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ANNEX 1: CSR IMPLEMENTATION

Austria faces challenges in a range of policy areas, as identified in the country-specific recommendations (CSRs). Austria was recommended, among other things, to take decisive action to safeguard the sustainability of public finances, promote business dynamism, tackle high energy costs and reduce overall reliance on fossil fuels and create incentives to boost the number of hours worked overall.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Austria to date*. To do so, the Commission has taken into account the information provided by Austria in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Austria for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. 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.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	• Total general government defence expenditure in 2026 is projected at 0.9% of GDP, corresponding to an increase of 0.2 ppt. compared to 2024.	• Total general government defence expenditure in 2027 is projected at 1.0% of GDP, corresponding to an increase of 0.3 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 8 July 2025	• Cumulated deviation in 2025 amounted to –0.3.% of GDP. • Cumulated deviation in 2026 projected at –0.4% of GDP. • The EDP is held in abeyance.		Full Implementation
1.3 Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 8 July 2025.	• See table A.2.4 in Annex 2 of the Country Report		Substantial progress
1.4 Take decisive action to safeguard the sustainability of public finances,	• Consolidation package 2025/2026		Limited Progress
1.5 including by improving the fiscal sustainability of the healthcare, long-term care	• Increase of the health insurance contribution rate for pensioners from 5.1 % to 6 %. • Significant investments in primary care, e.g. via a new health reform fund (EUR 500 mio p.a.).		Some Progress
1.6 and pension systems,	• From 2026, stricter eligibility rules for the 'corridor pension', early retirement scheme: at least 63 years and 504 months of social security contributions. • First pension increase amounts to 50 % of the general pension increase (Aliquotierung). • Introduction of a partial pension • "Sustainability mechanism" requiring the government to re-evaluate pension expenditure by 2030.	• Reduced taxation and social insurance contributions after legal retirement age to support active retirement and employment of older workers.	Some Progress
1.7 by, among other things, streamlining hospital infrastructure,	*No relevant measures*		No Progress
1.8 improving the cost-effectiveness of healthcare and long-term care, strengthening expenditure control	• Changes have been implemented to the diagnosis-related groups (DRG) model, aiming to reduce the provision of supply-induced inpatient services.		Limited Progress

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
1.9 and significantly increasing the effective retirement age.	• From 2026, stricter eligibility rules for the 'corridor pension', early retirement scheme: at least 63 years and 504 months of social security contributions. • Reduced taxation and social insurance contributions after legal retirement age to support active retirement and employment of older workers.		Some Progress
1.10 Simplify and rationalise fiscal relationships and responsibilities across layers of government and ensure financing and spending responsibilities are clearly aligned.	• The Austrian Stability Pact (2026-2031), revised in November 2025, sets debt and deficit targets for federal regional and local governments and introduced monthly reporting requirements at the regional level.		Limited Progress
1.11 Improve the tax mix to reduce the high tax wedge on labour	• The basic flat-rate tax allowance was expanded, simplifying deductions for low- and middle-income earners and effectively lowering their effective tax wedge. • Austria extended the top income tax rate of 55% on incomes over EUR 1 million through 2029. • Tax measures emphasised "fair distribution," levies on energy firms/banks.		Some Progress
1.12 and support inclusive and sustainable growth in a challenging fiscal environment.	• Consolidation package: Austria pursued a balanced mix of revenue increases and spending cuts totalling EUR 6.4 billion in 2025.		Some Progress
3.1 Promote business dynamism, and the creation and growth of young companies, including by providing better access to venture and growth capital and removing barriers hindering investment from institutional investors in equity instruments.	**Business dynamism** • Mittelstandspaket (higher VAT registration threshold for small business, flat-tax deductions, EUR 1000 tax-free bonus for staff, NoVA exemption. • Starting a business: 'GISA Express' allows fully digital business registration to speed up the founding process.	**Business dynamism** • Draft Amendment to the Trade Code (Gewerbeordnung) sent to public consultation in 2025, aiming to facilitate business creation by integrating various permits into a single commercial permit procedure. **Venture and growth capital**: • Fund of Funds, with EUR 100m of public capital to mobilise further 400m from private investors to boost risk and growth financing for startups, scale-up and SMEs. Expected to be operational by early 2027. • Reform of occupational pensions (2nd pillar) announced in late 2025, aimed at expanding access to more employees and allowing higher equity allocations in early investment phases. • draft Amendments to Pension Funds Law (PKG) and to Insurance Supervision Law (VAG) under preparation, expected to allow more institutional investment in long-term equity assets.	Some Progress

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
3.2 Improve the translation of the high levels of R&D investment into marketable solutions and step up the use of (advanced) digital technologies by companies.	**R&I** • Industry Strategy 2035 -Strategic focus on Austria's comparative strengths (9 key tech areas) EUR 2.6b, focus on downstream innovation (pilot infrastructure, industrial-scale roll-out, scale-up finance), aligned with Scaleup Europe Fund. • R&D tax credit (Forschungsprämie) amended in late 2025 – more stringent definition of R&D activities, excluding routine development, limiting non-R&D related expenses, stronger focus on scientific risk and technologic uncertainty, clearer end-point of research, stricter standards for software R&D. • RTI Pact 2027-29 providing budgetary framework for R&D funding for central research and research funding institutions primarily throughbinding performance and financing agreements to execute various initiatives, including the key tech areas of the Industry Strategy 2035. **Digital:** Continuation of... • SME.Digital programme; • Digital Innovation Hubs.	• New €115 million research initiative (launched late 2025) to promote large-scale scalability in industrial transformation.	Some Progress
3.3 Simplify regulation, reduce administrative burden, particularly for SMEs, accelerate permitting procedures and strengthen competition to lower prices.	• (see also 3.1) Digital one-stop-shop (GISA-Express), allowing, among other things, for a fully digital business registration process. • (see also 3.1) Increase of the VAT small-business exemption threshold. • Amendment of the General Administrative Procedures Act (AVG) approval procedures, allowing, for instance, for a greater use of digital technologies. • Digitalisation of certain administrative procedures for citizens and SMEs.	• First administrative simplification package presented in December, proposes 113 measures to reduce regulatory and administrative burden for companies, citizens and the public sector. It focuses on measures at the federal level (while the Länder-level is left for next package). • A reform of the Trade Code has been proposed to Parliament and is now under review by stakeholders. It includes a full "one-stop-shop" for starting a business. However, effective cooperation across local, Länder and federal level would be required for full implementation. • The Industrial Strategy 2035 also targets the reduction of administrative burden and reduction of reporting requirements. But details on legislative implementation are still missing.	Some Progress

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
4.1 Tackle high energy costs including through a reform of the Electricity Act, by improving the flexibility of the energy system and incentivising power purchase agreements.	• Dec. 25 Adoption of Electricity Act (Elektrizitätswirtschafsgesetz). Comprehensive reform of the electricity market, which i.a. introduces PPAs/provides the basis for further flexibilisation of the electricity system/introduces a social tariff for vulnerable consumers. **Additional short-term measures:** • Reduction of electricity duty (Elektrizitätsabgabe) for 2026 to EU-minimum for households (0,1 instead of 1,5 ct/kWh) and 0,82 ct/kWh for non-household customers. • Energy price compensation for energy-intensive industry (*Standortsicherungsgesetz*) - 2025/26 - targeted at energy intensive industry.	• The industry strategy announces the introduction of a subsidised electricity price for industry (CISAF) for 2027-2029 and prolongation of the energy price compensation scheme.	Some Progress
4.2 Reduce overall reliance on fossil fuels		*See 4.3 to 4.5.*	Some Progress
4.3 and accelerate the roll-out of renewable energy and the required infrastructure, particularly by simplifying permitting procedures and putting in place dedicated acceleration areas.		• Draft for Renewable Energy Expansion Acceleration Act (EABG)- transpositioning RED III adopted by Government 04/26 - 2/3 in Parliament majority required. • Not on track to meet sectoral wind energy targets.	Limited Progress
4.4 Further reduce emissions, particularly in the transport sector and by advancing industrial decarbonisation.	• "eMoveAustria" (launched in July 2025) is a measures package to support electric mobility.	• In 2026 new funding will be made available, with focus on improving charging infrastructure. • Industry Strategy 2035 announces measures such as advancing hydrogen infrastructure, lifting the ban on geological storage of CO2, and establishing a legal framework on geothermal energy.	Some Progress

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
4.5 Improve energy efficiency.	• A broad set of grants and incentives for energy-efficient renovations, heating system upgrades and related projects remains available through 2025 and into 2026.	• The Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management and the Federal Ministry for Economy, Energy and Tourism published their 2025 funding catalogue with targeted programmes for energy efficiency improvements, building renovation, boiler replacement initiatives and industry transformation support, combining grant and financing instruments to reduce energy demand. • The Austrian ERDF&JTF programme 2021-2027 supports energy efficiency investments in enterprises and municipal infrastructure. • EBPD partly implemented, some improvements in transport and industry, hardly any progress in residential sector.	Limited Progress
5.1 Create incentives to boost the numbers of hours worked overall	• The minimum eligibility age for one early retirement scheme (corridor pension) is set to increase further, contributing to the increase in the effective retirement age and therefore keep workers (especially women) longer in the labour market).	• Reduced taxation and social insurance contributions after legal retirement age to support active retirement and employment of older workers (cf. 1.9).	Limited Progress
5.2 and the full-time labour market participation of women, including by improving framework conditions and notably the quality and availability of childcare services.	• ECEC funding led to increased availability of ECEC places. In 2024, 30.2% of children under 3 participated in ECEC (EU average 39.3%) and getting closer to the Barcelona target 31.9%.	• The government announced the introduction of quality standards, but they are not yet adopted.	Some Progress
5.3 Improve labour market outcomes for older workers and for disadvantaged groups, such as low-skilled job seekers and people with a migrant background,	• The 'Aktion 55+' complements the existing Initiative 50+, aiming to create 3-6 000 jobs for long-term unemployed above 55 in social enterprises and non-profit employment projects and via wage subsidies.		Some Progress
5.4 and raise the levels of basic skills, starting from an early age, notably at school level.	• In 2025, the government adopted a legislation to distribute resources based on the socio-economic background of pupils which should help improve basic skills. However, there are teacher shortages (4.6% of all teacher posts vacant). • The implementation of the "Chancenbonus" programme will start in the school year 2026/27. Schools with special challenges receive additional resources based on their socio-economic background. • The amendment to the school law introduced new instruments to prevent school dropouts.		Some Progress

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
5.5 Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	• In 2025 the Green Skills Competence Centre (GSCC) was created to increase synergies among VET providers investing in greening. The Higher Professional Qualification: "Technical Consulting for Energy Efficiency" entered into force in 2025. Moreover, the PES subsidises inter-company training for unplaced applicants (5% of total apprentices).		Substantial Progress

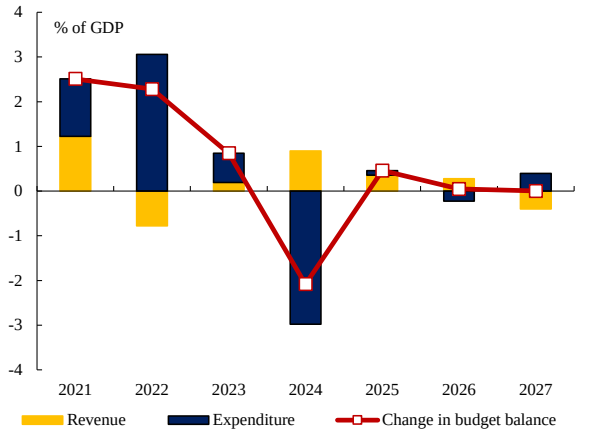
This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Austria in July 2025. These CSRs include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 8 July 2025. Austria also received a recommendation in July 2025 to take decisive action to safeguard the sustainability of its public finances, including by improving the fiscal sustainability of its healthcare, long-term care and pension systems.

On 8 July 2025, the Council adopted the Recommendation endorsing Austria's medium-term fiscal-structural plan ([70]). The plan includes an extended fiscal adjustment over seven years, underpinned by a set of reforms and investments. At the same time the Council also adopted a Recommendation under Article 126(7) TFEU to correct the excessive deficit in Austria ([71]). On 17 February 2026, the Council also activated the national escape clause for Austria in order to facilitate its transition to higher levels of defence spending ([72]).

Developments in the government balance, debt and public expenditure ([73])

Austria's government deficit amounted to 4.2% of GDP and the government debt-to-GDP ratio amounted to 81.5% at the end of 2025. Based on the Commission Spring 2026 Forecast, Austria's government deficit is projected to decrease to 4.1 % of GDP in 2026 and to remain at the same level in 2027. A previous increase in the deficit was largely driven by Austria's rising general government expenditure, which reached 55.2% of GDP in 2024, around 3 pps higher than in previous years. Expenditure is expected to decline over the forecast horizon, reaching 55.0% of GDP in 2027, still above the EU average.

Graph A2.1: **Contributions to the change in the general government balance (% of GDP)**



Source: European Commission Spring Forecast

Rising public investment is improving the quality of expenditure in Austria. Unlike previous shocks that led to significant cuts in Austrian public investment, public investment was preserved during the pandemic and is expected to reach 4.1% of GDP in 2026, up from 3.1% in 2019 (see Graph A2.2). It is set to stabilise in 2027 despite the lower support from the Recovery and

([70]) OJ C, C/2025/3958, ELI: http://data.europa.eu/eli/C/2025/3958/oj.

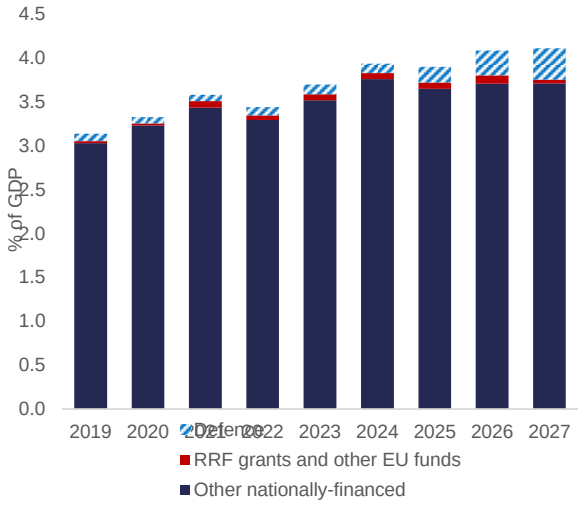
([71]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Austria, adopted on 8 July 2025. The corrective net expenditure path recommended by the Council under the excessive deficit procedure is consistent with the maximum growth rates of net expenditure set out in the plan.

([72]) Council Recommendation of 17 February 2026 allowing Austria to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause) (OJ C, C/2026/1158).

([73]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

Resilience Facility (RRF) thanks to higher investment financed by national budgets, including in defence. Austria is projected to spend more on nationally financed investment than it did before the COVID-19 pandemic.

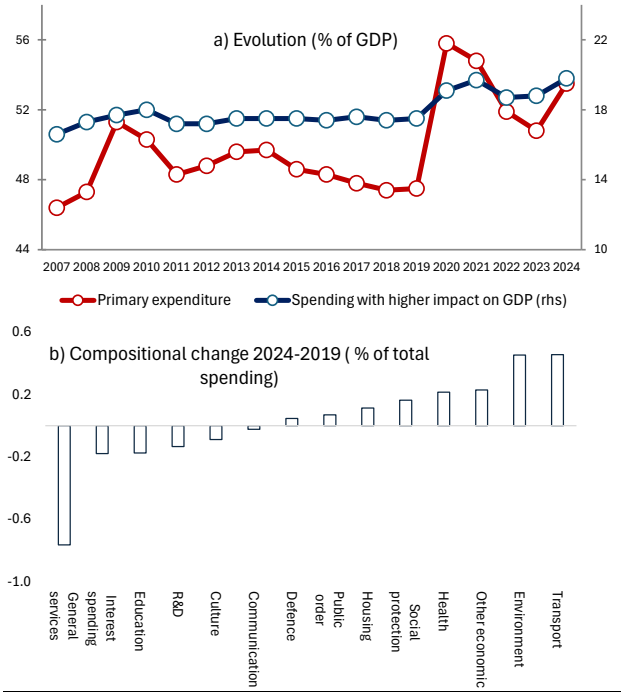
Graph A2.2: **Public investment evolution and composition (% of GDP)**



Source: Spring Forecast

The type of expenditure that has a greater impact on GDP had remained broadly stable over three decades but has now slightly increased since 2019. This may be related to the impact of the RRF, which possibly facilitated a more quality-based fiscal strategy. Zooming in on the composition of spending, social protection represents the largest share of total public expenditure (above 40%) followed by health, economic affairs([74]), general public services and education (each accounting for at least 10% of total government spending). Since 2019, Austria's public expenditure on transport and the environment has increased significantly (See Graph A2.3). Spending in other areas (such as economic affairs, health, defence, social protection, housing and public order) has also risen since 2019 but more modestly, with the rise in defence spending reflecting recent security developments. By contrast, expenditure on R&D, education and, to a lesser extent, communication in % of total spending has declined since 2019, which is a point to watch as these are considered to be growth-friendly spending categories. Despite declines on spending in these specific growth-friendly categories, growth-friendly spending overall has increased since 2019.

Graph A2.3: **Primary spending evolution and composition**



Source: Based on the Classification of the Functions of Government (COFOG data).
Note: Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Austria has very high tax revenues as a share of GDP and relies heavily on labour taxes, while growth-friendly taxes are underused. In 2025 Austria's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 44.0%. compared with an EU average of 39.9%. Total tax revenues are projected to increase to 44.1% of GDP in 2026 and to decrease to 43.9% of GDP in 2027 according to the Spring 2026 Forecast ([75]). The tax mix in Austria relies heavily on labour taxation, including social contributions, while tax types that are considered less detrimental to

([74]) This refers to the set of government activities, policies, and expenditures aimed at regulating, supporting, and developing economic activity across major sectors, including general economic and labour policies, agriculture and natural resources, energy, industry, construction, and other economic functions not elsewhere classified.

([75]) Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en).

Table A2.1: **Supplementary pension schemes – scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
AT	7.2	-1.3	16.0	**AT**
EU	32.4	-2.8	55.9	EU

Source: European Commission.

Table A2.2: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to: pensions	healthcare	long-term care	education	total	ageing-related expenditure	
AT	28.3	0.2	0.7	0.5	-0.3	***1.0***	29.3	**AT**
EU	24.3	0.5	0.3	0.4	-0.3	***0.9***	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to: pensions	healthcare	long-term care	education	total	ageing-related expenditure	
AT	28.3	-0.4	1.2	1.4	-0.2	***1.9***	30.2	**AT**
EU	24.3	0.2	0.6	0.8	-0.3	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

growth (such as recurrent property or environmental taxes) are underused (see Annex 3).

The costs of ageing

Total ageing-related spending in Austria is projected to rise by about 1 pp. of GDP between now and 2040, to around 29% of GDP, with a further 1 pp. increase between 2040 and 2070 (see Table A2.2). The overall increase is mainly the result of a projected rise in spending on long-term care and healthcare. Austria has the second highest total spending on ageing-related items of all EU Member States. This will remain the case in 2040 and 2070 according to projections.([76])

Public spending on pensions as a share of GDP is projected to increase by about 0.5 pps over the next decade and decline thereafter. Despite its projected overall stability in the long term, with public pension spending at around 14% of GDP, Austria is forecast to remain among the Member States with the highest pension spending as a share of GDP. In 2025, Austria received a CSR to improve the fiscal sustainability of its pension system by, among other things, significantly increasing the effective retirement age. Relevant recent measures taken by Austria to address the sustainability of pensions include: (i) the re-introduction of a modified, partial, first, annual pension increase (*Aliquotierung*); (ii) the introduction of a possibility to receive a partial pension (*Teilpension*); and (iii) raising the minimum age – and the years of contribution required – for the most widely used early retirement scheme ('corridor pension'). Statutory retirement ages for women are in the process of being aligned with those for men at 65 years, with full convergence by 2033.

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Austria, however, the uptake of these supplementary schemes remains limited. By the end of 2024, private pension assets were equivalent to around 7% of GDP and participation in supplementary schemes covered only around 16% of the working-age population, well below the EU average ([77]). This coincides with rising medium-term public pension spending pressures and a projected decline in the replacement rate by

([76]) Source: 2024 Ageing Report (EC/EPC).

([77]) Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

1.3 pps between 2025 and 2040 (Table A2.2 and A2.3).([78])

The projected increases in public spending on health and long-term care, due to an ageing population, pose a risk to fiscal sustainability in the medium and long term for Austria. In 2025, Austria was recommended to improve the fiscal sustainability of its healthcare and long-term care systems, by, among other things, streamlining underused hospital infrastructure; (ii) improving the cost-effectiveness of healthcare and long-term care; and (iii) strengthening expenditure control. Public healthcare expenditure is projected to be 7.8% of GDP in 2025 (above the EU average of 6.6%) and is expected to increase by 0.7 pps between 2025 and 2040 and by a further 0.5 pps between 2040 and 2070 ([79]). Recent structural reforms that focused on strengthening primary-care and prevention were not sufficient to address the fiscal sustainability challenge for Austrian healthcare. Regulatory measures to accompany these reforms could have: (i) encouraged the uptake of these primary-care and preventive services (such as for instance gatekeeping); or (ii) ensured that the increased availability of primary-care services did not duplicate existing specialist care services and capacities. However, these accompanying measures were not put in place and the result was an increase in public spending. One of the measures underpinning the extension of the adjustment period in the Austrian medium-term plan aimed to improve the revenue base of Austria's healthcare insurance system by increasing the health insurance contribution rate for pensioners (from 5.1% to 6% as from June 2025). This additional revenue has been earmarked for the next five years (2026-2031) to balance out the aforementioned increase in expenditure on primary healthcare, prevention and mental health services.

Public expenditure on long-term care is projected to be equivalent to 1.6% of GDP in 2025 (slightly below the EU average of 1.7%) and is expected to increase by 0.5 pps of GDP between 2025 and 2040 and by a further 0.9 pps of GDP between 2040 and 2070 ([80]). Recent reform packages in Austria required additional public resources to finance measures to: (i) train staff in the long-term care sector; (ii) improve working conditions in long-term care and the financial situation of informal carers; and (iii) close the financing gap caused by the abolished asset-testing for residential care. These reform measures aimed at better adequacy and quality of LTC, as well as to secure an increase in staff numbers, and are expected to increase expenditure already driven by demographic ageing. This in turn will further exacerbate Austria's existing fiscal sustainability challenge.

National fiscal framework

The CSRs addressed to Austria in 2025 include a call to: (i) simplify and rationalise fiscal relationships and responsibilities across layers of government; and (ii) ensure that financing and spending responsibilities are clearly aligned. The new Austrian Stability Pact, agreed in November 2025, entered into force retroactively as of 1 January 2024 in order to align the country's national fiscal framework with the reformed fiscal governance framework of the European Union. It sets out revised debt and deficit targets for Austria's federal, regional and local governments, and introduced monthly reporting requirements at the regional level. However, risks persist due to possible inconsistencies between the sub-national deficit targets and net expenditure ceilings set under the EU framework. Furthermore, concrete changes to fiscal relationships and responsibilities across layers of government and accountability mechanisms remain limited. As the pact builds on constitutional arrangements it cannot fundamentally alter the complex distribution of powers and responsibilities across levels of government. Discussions on reforming intergovernmental (i.e. between federal, regional and local levels of government) fiscal relations in order to better align financing and spending responsibilities, including in health and social care, are set to continue as part of negotiations for the

([78]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

([79]) Key performance characteristics, recent reforms and investments of the Austrian healthcare system are discussed in Annex 15.

([80]) The adequacy and quality of the Austrian long-term care system are covered in Annex 12.

next intergovernmental fiscal equalisation scheme (*Finanzausgleich*).

Independent fiscal institution (IFI) tasks in Austria are carried out by 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 costing of measures. This division of tasks could make it difficult to identify a clear reference IFI in Austria. Both institutions seem to have sufficient resources for their current tasks, but there are no explicit mechanisms in place to ensure stable levels of funding. The policy dialogue between these two IFIs and both the government and national parliament could be improved. Both IFI institutions are present in the media, and have standalone websites, and standalone social media presences. However, an external evaluation of these IFIs by independent evaluators is either not performed (in the case of FISK) or not made public (in the case of the WIFO).

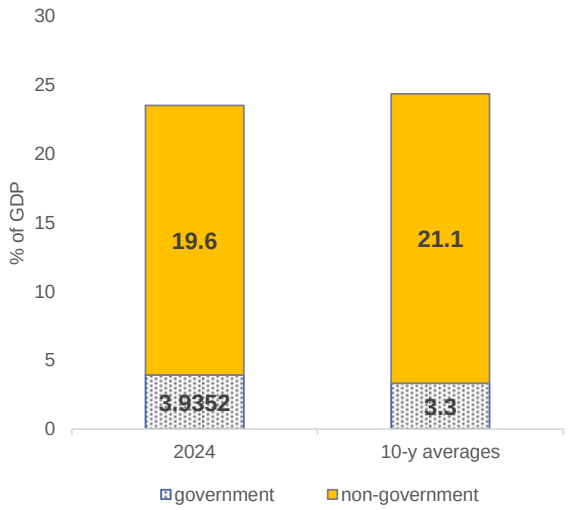
Austria conducts spending reviews periodically on an ad hoc basis. Recent reviews have focused on investments in the green transition and digitalisation. The reviews' findings are documented in public reports and shared with relevant ministries and departments. Following up on the spending reviews has so far been discretionary, and the insights from the reviews are not formally linked to the budget process.

Austria has one of the most comprehensive national frameworks for integrating green budgeting into its budgetary decision-making process. Austria has developed instruments to support the implementation of green budgeting such as impact assessments, green budget 'tagging' and green spending reviews. Green budgeting activities cover the climate-specific and environment-specific impacts of all budgetary, regulatory, and tax policy measures. The Ministry of Finance's green budgeting unit gave impetus to collaboration across institutions with the creation of a new working group on budget measures harmful to climate goals and by encouraging regions and municipalities to also engage in green budgeting.

Austria's Federal Ministry of Finance started integrating climate-related risks into its long-term budget forecast in 2022. Its 2025–2060 long-term budget forecast includes an updated assessment of the fiscal impacts of both climate change and climate policies up to 2060. It indicates that these will have a significant impact on fiscal outcomes, and concludes that implementing a climate-activity scenario aligned with the government programme can reduce the long-term debt-to-GDP ratio compared with the baseline.

The quality of public investment management in Austria is relatively high. Austria has well-structured sectoral investment planning and integrated targets. The latest integrated climate and transport investment plan ('Master Plan 2030' aims to translate climate targets into key performance indicators (KPIs).

Graph A2.4: **Investment composition, % of GDP**



Source: Ameco; % of GDP

Table A2.3: **Fiscal governance database indicators and public accounting maturity**

Fiscal Governance Database Indicators

2024	Austria	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	13.48	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.60	0.72
2025 Public accounting maturity of general government	73%	65%

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.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396).

Source: Fiscal Governance Database, European Commission

Implementation of the set of reforms and investments underpinning the extension of the adjustment period

The CSRs for Austria also call for implementing the set of reforms and investments underpinning the extension of the adjustment period. This set of reforms and investments is composed of commitments from the recovery and resilience plan (RRP), commitments extending previously existing RRP measures, as well as some additional commitments on reforms and investments. Taking into account the information provided in the Annual Progress Report, Table A2.4 shows the implementation status of the set of reforms and investments due in 2025 and the first half of 2026.

Table A2.4: **Reforms and Investments underpinning the extension of the adjustment period for Austria**

Measures	Key steps	Recommended implementation date	COM assessment 2026
Education ('Opportunity bonus')	Step 1: Implementation of milestone 91a under the RRP	Q4 2025	Completed*
	Step 2: Attribution of funding	Q1 2026	Completed
Increase in health insurance contribution rate for pensioners	Implementation of the law	Q3 2025	Completed
First pensions increase ('Aliquotierung')	Implementation of the law	Q1 2026	Completed*
Increase in effective retirement age ('Corridor pension')	Step 1: Adoption of the law	Q3 2025	Completed*
Early childhood education and care	Step 1: Allocation of additional funding for Länder (federal states) from federal budget	Q1 2026	Completed
Labour market – educational leave	Step 1: Adoption of the law	Q1 2026	Completed
	Step 2: Implementation of the law	Q2 2026	Completed
Reform of unemployment benefits	Implementation of the law	Q1 2026	Completed
Lottery tax	Implementation of the law (budget accompanying law)	Q1 2026	Completed
Concession and lottery tax for electronic lotteries	Implementation of the law (budget accompanying law)	Q1 2026	Completed
Real estate taxation share deals	Implementation of the law (budget accompanying law)	Q1 2026	Completed
Real estate taxation upzoning gains	Implementation of the law (budget accompanying law)	Q1 2026	Completed
Foundation donation tax	Implementation of the law (budget accompanying law)	Q1 2026	Completed

Note: The progress of each backward-looking key step (i.e., those scheduled for completion by 30 April 2026) is either classified as 'completed' or factual information is provided. The status of forward-looking key steps does not appear in the table, as these will be assessed by the Commission in future Country Reports.
*These key steps correspond to milestones 91a, 153 and 155a of Austria's RRP, which have been assessed as fulfilled as part of a payment request under the RRF.

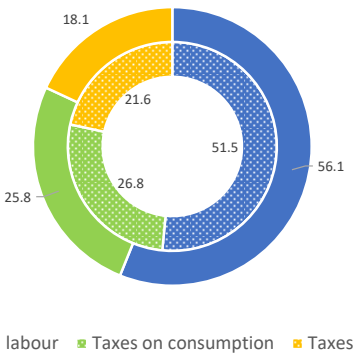
Source: Commission's assessment taking into account Austria's Annual Progress Report

This annex provides an indicator-based overview of Austria's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. In the area of taxation, the 2025 country-specific recommendations (CSR) for Austria highlighted challenges in improving its tax mix to reduce the high tax wedge on labour and supporting inclusive and sustainable growth in a challenging fiscal environment.

Austria has relatively high tax revenues as a percentage of GDP. In 2024, total tax revenues amounted to 43.4% of GDP compared to the EU-27 average of 39.4%. The Austrian tax mix relies strongly on labour taxation (including social security contributions), representing 56.1% of total tax revenue in 2024 (compared to 51.5% in the EU). Consumption taxes represented 25.8% of total (vs EU average of 26.8%) and capital taxes 18.1% (vs. EU average of 21.6%). Looking into specific tax types, VAT revenue amounted to 18.2% of total tax revenue in 2024, roughly in line with the EU average (18.0%).

The tax mix could be improved. Given the strong reliance on labour taxation, Austria received in 2025 a CSR to improve its tax mix to reduce the high tax wedge on labour and to support inclusive and sustainable growth in a challenging fiscal environment.

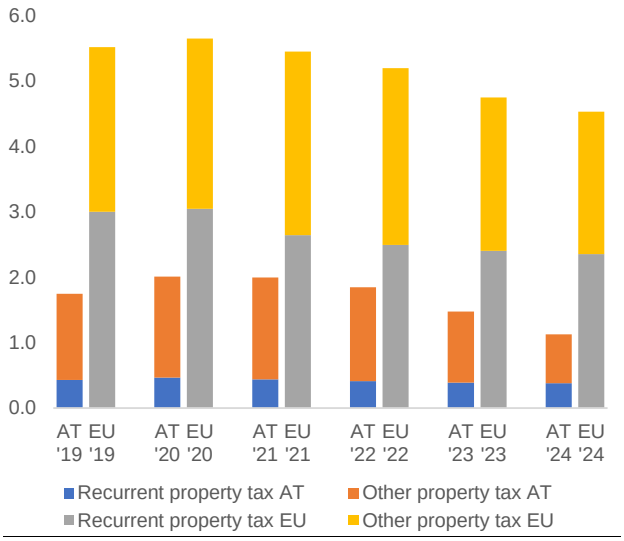
Graph A3.1: **Tax revenue by economic function in 2024, AT (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD.

Austria continues to rely heavily on labour taxation, comparatively underusing more growth-friendly tax bases. In particular, recurrent taxes on immovable property, including land, buildings and other immovable structures, account for only 0.4% of total tax revenues in 2024, compared to an EU average of 2.4% (see Graph A3.2). Given that recurrent property taxation is generally considered among the least distortive forms of taxation, this suggests scope for rebalancing. The effectiveness and fairness of recurrent property taxes depend, however, on tax bases reflecting current market values. In Austria, property taxation still largely relies on cadastral values last comprehensively updated in 1973, which weakens the link between tax liabilities and actual property values. Similarly, revenues from environmental taxes remain below the EU average (4.4% vs 5.3% of total tax revenues in 2024), despite the introduction of national carbon pricing.

Graph A3.2: **Property tax revenues as % of total tax revenues**



Source: Taxation Trends Data, DG TAXUD.

At the same time, some recent tax measures point toward a gradual diversification of revenue sources. Noteworthy developments in Austria's medium-term fiscal-structural plan include the adjustment and extension of tobacco taxation to cover new alternative products and increases in sports betting fees. These measures broaden the tax base and strengthen taxation of consumption-related activities, thereby contributing, albeit to a limited extent, to a rebalancing of the tax mix away from labour. Overall, however, the composition of tax revenues continues to indicate scope for a more comprehensive shift toward tax bases that are typically seen as more supportive of sustainable growth.

Company profits in Austria are taxed at the standard corporate income tax (CIT) rate of

Table A3.1: **Taxation Indicators**

		Austria					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	43.0	43.0	42.6	43.4		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	23.7	22.9	23.3	24.4		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	15.0	14.8	14.9	15.6		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	11.6	11.2	11.3	11.2		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	7.7	7.9	7.9	7.9		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	7.7	8.9	8.1	7.8		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	9.7	9.7	9.4	9.9		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	2.8	3.5	3.3	3.1		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	0.8	0.8	0.6	0.5		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.2	0.2	0.2	0.2		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.4	1.9	2.0	1.9		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	89.9	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	35.4	31.6	33.5	33.2	33.1	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	45.3	45.0	44.4	44.2	44.2	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	23.0	22.7	21.8	20.9		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	9.7	9.5	9.0	8.4		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	7.5	8.2	6.7	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	6.8	3.0	1.0	0.6		10.5	7.3	8.2	na	

(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 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

23%. The forward-looking effective CIT rate has been on a gradual downward trend in recent years, declining from 22.7% in 2022 to 21.8% in 2023 and 20.9% in 2024 – around 2 percentage points above the EU average. In addition, a temporary increase in the investment tax allowance (*Investitionsfreibetrag)* applies from November 2025 through 2026, raising the deduction rate for eligible capital expenditures from 10% (15% for eco-investments) to 20% (22% for eco-investments). By lowering the corporate tax base for firms undertaking investment, this measure provides targeted CIT-related support, particularly for environmentally oriented capital formation. More broadly, the corporate tax system also includes R&D-related incentives, notably the *Forschungsprämie*, which provides a refundable tax credit of 14% of eligible R&D expenditure and is available irrespective of firms' profitability, thereby supporting innovation and investment in knowledge-based activities.

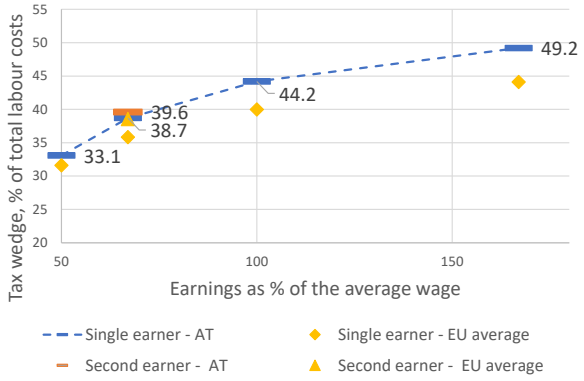
Austria's labour tax burden is relatively high at various wage levels. In 2025, the labour tax wedge ([81]) was substantially above the EU average for various income groups, including single persons earning the average wage (100%) as well as those earning 50%, 67% and 167% of the average wage (see Graph A3.2). For a single individual without children at the income level of the average worker, Austria had the sixth highest labour tax wedge in the EU-27 in 2025, highlighting the comparatively strong tax burden on labour. 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 higher than single persons at the same wage level.

Overall, the tax-benefit system is effective in reducing income inequality. In 2024, it led to a reduction of the Gini coefficient by 8.4 pps, whereas the EU average reduction was at

([81]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (composed of the net wage, personal income tax, social security contributions, and other mandatory contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, but in past reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

7.8 pps ([82]). Austria counteracts fiscal drag with inflation-based indexation of tax brackets (thereby compensating for two thirds of the impact of the bracket creep, with targeted transfers covering the remaining third). However, the full indexation via the remaining third has been suspended until 2029. Additionally, indexing for many family benefits (such as the family allowance and child tax credit) has been suspended for 2026 and 2027.

Graph A3.3: **Tax wedge for single and second earners as % of total labour costs, 2025**



Note: The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
Source: European Commission

Tax expenditures in Austria are sizeable and have been increasing in recent years. In 2023, they amounted to EUR 25.5 billion, or around 5.2% of GDP (an increase of 8.6% compared to 2022). Notably, close to one third of tax expenditures could not be quantified, limiting transparency and fiscal oversight. In a context of relatively high tax code complexity and tight fiscal space, a more systematic evaluation of tax expenditures could help identify measures that no longer effectively achieve their intended objectives, improve efficiency and support efforts to rebalance the tax mix in line with the relevant CSR.

Some tax expenditures may also have implications for greenhouse gas emissions, particularly in the transport sector. Certain provisions of the tax system (such as the *Pendlerpauschale* commuting-related tax relief and the *Dieselprivileg* preferential taxation of diesel compared to petrol) can indirectly support fossil-fuel consumption by lowering the effective cost of carbon-intensive mobility. While these measures pursue distributional or competitiveness objectives, their environmental impact may run counter to decarbonisation goals. A comprehensive review of tax expenditures could therefore also help assess the consistency of existing tax incentives with climate objectives and identify opportunities to better align the tax system with emission reduction targets while safeguarding social considerations.

Austria's efforts to monitor tax compliance gaps currently focus primarily on VAT ([83]). While Austria regularly estimates the VAT compliance gap, it does not at present produce comparable gap estimates for corporate income tax (CIT) or personal income tax (PIT). Developing CIT and PIT compliance gap estimates would help policymakers better understand the scale and the drivers of non-compliance in these areas and strengthen the evidence base for targeted enforcement and policy design. More systematic measurement and monitoring of compliance gaps across major taxes could also improve the tax administration's ability to assess the effectiveness of its actions and improve overall revenue performance.

Austria performs strongly in tax collection. The VAT compliance gap is very low and declined further to 0.6% of VAT total tax liability in 2024, down from 1.0% in 2023 and significantly below its 2019 level (6.8%). Austria's shadow economy is among the smallest in the EU, estimated at 6.6% of GDP. Outstanding tax arrears have remained relatively stable, amounting to 6.7% in 2023, well below the EU average of 30.7%. In addition, on-time payment rates are close to 100% across major tax categories (CIT, PIT and VAT), indicating a high level of compliance.

Austria has also made progress in digitalising its tax administration.

([82]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

([83]) European Commission, Directorate-General for Taxation and Customs Union, *Mind the gap - 2025 report*.

Digitalisation measures have been implemented under the recovery and resilience plan, strengthening administrative efficiency. The tax administration pre-fills personal income tax returns, and the share of PIT returns submitted electronically has increased significantly in recent years, contributing to improved compliance and reduced administrative burden.

Austria remains a strong innovator, but its solid innovation capacity and high level of R&D investment do not fully translate into high-impact innovation and business dynamism. According to the European Innovation Scoreboard 2025 ([84]), Austria achieves 114% of the EU average on the Summary Innovation Index but has progressed more slowly than the EU since 2018. Austria's R&D intensity increased from 3.11% in 2018 to 3.26% of GDP in 2024, placing the country among the top three EU Member States and well above the EU average of 2.24% in 2024. Despite this strong performance, the translation of high R&D spending into disruptive innovation and marketable products remains limited.

Austria shows solid performance in the digitalisation of businesses, with SME digital intensity above the EU average and strong uptake of artificial intelligence, progressing well towards Digital Decade 2030 targets in these areas. By contrast, adoption of cloud services and data analytics remains below EU levels, indicating limited targeted funding and uneven diffusion of data-driven technologies across firms. This challenge is identified in the 2025 country-specific recommendation (CSR) calling for *stepping up the use of advanced digital technologies by companies*.

At the same time, Austria shows limited business dynamism, reflected in firm entry and exit rates ([85]) and a share of high-growth enterprises below the EU average. This is highlighted in the 2025 CSR on *promoting business dynamism, and the creation of growth of young companies*. This is coupled with a relatively small venture capital market, which weighs on the development of a more vibrant ecosystem of innovative firms. This challenge was also noted in the 2025 CSR on *providing better access to venture and growth capital and removing barriers hindering investment from institutional investors in equity instruments.*

Excellent science

Austria has a solid research base, but scientific excellence has been on a slightly weakening trend despite continued increases in public R&D investment. Public R&D intensity increased from 0.85% in 2013 to 1.0% in 2024, making it the third highest in the EU. However, key indicators of scientific excellence have slightly deteriorated over time.

Austria's share of publications within the world's top 10% most-cited scientific publications has been on a downward trend since 2017. The figure has now fallen to 9.95%, only slightly above the EU average of 9.44% (see Graph A4.1). On this indicator, Austria performs below other innovation leaders, including Denmark, Finland, the Netherlands and Sweden.

Austria's universities are starting to catch up but still lag behind in major global rankings of universities ([86]). In this context, the Strategy for Research, Technology and Innovation (RTI Strategy 2030) ([87]) aims to strengthen research excellence, with the strategic objective of having two Austrian universities among the global top 100 in the Times Higher Education ranking. The *excellent=austria* initiative of the Austrian Science Fund represents a step in this direction. It supports large-scale and competitive basic research, including high-risk and high-gain projects under the Emerging Fields and Clusters of Excellence programmes. These initiatives aim to strengthen the foundations for long-term scientific excellence. Given the current budgetary constraints, ensuring greater efficiency and impact of public research and innovation (R&I) spending remains a key

([84]) European Commission, 2025, *European Innovation Scoreboard, country profile Austria*: https://ec.europa.eu/assets/rtd/eis/2025/ec_rtd_eis-country-profile-at.pdf The scoreboard provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared with the EU average). Strong Innovators are countries with performance between 100 and 125% of the EU average.

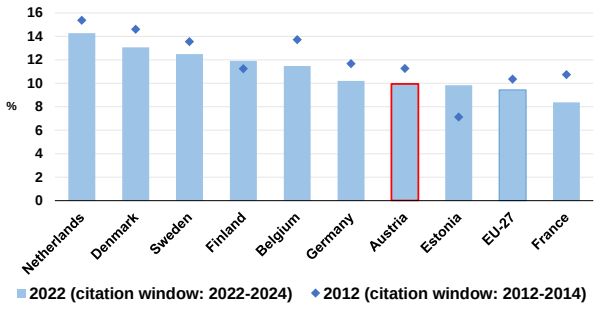
([85]) OECD, July 2024, *OECD Economic Surveys Austria*.

([86]) In the Times Higher Education World University Rankings 2026, only one Austrian University (University of Vienna, 95) is ranked among the 100 best universities worldwide.

([87]) The strategy sets out the objectives and fields of activity of Austrian RTI policy for the coming decade.

priority for improving research excellence outcomes.

Graph A4.1: **Share of publications in the top 10% most-cited publications worldwide, 2012 and 2022**



Source: Science-Metrix data using the Scopus database.

Austria's public science base is characterised by a high degree of international integration. Austrian universities and research institutions are deeply embedded in European and international research networks. Research collaborations are strong, with the share of international co-publications as a percentage of total publications exceeding that of innovation leaders and continuing to increase ([88]). This high level of international openness makes Austria more attractive for international researchers and talents. In 2025, this orientation was supported by the launch of the APART-USA fellowship by the Austrian Academy of Sciences, aimed at attracting excellent researchers from the United States and further strengthening international research links.

Austria's research and innovation policy is guided by the RTI Strategy 2030, which provides a coherent long-term framework with clear strategic objectives. The strategy is implemented through three-year RTI pacts. At mid-term (2025), evaluation evidence shows that at current trends about half of the strategy targets will be reached by 2030, suggesting that further efforts are needed ([89]). In February 2026, the government adopted the third RTI pact for the period 2027-2029, with a total funding of around EUR 5.5 billion, slightly higher than the EUR 5.05 billion allocated for 2024-2026. Around EUR 3 billion is allocated to basic research, reflecting increased emphasis on strengthening the scientific base. At the same time, funding for applied research is expected to slightly decline compared with the previous pact. The pact supports key technologies, knowledge transfer and business innovation through funding for major research and innovation organisations. It also contributes to Austria's objective of raising R&D intensity to 4% of GDP by 2030 ([90]). As noted by the Austrian Council for Sciences, Technology and Innovation, there is a scope to further strengthen cross-departmental and cross-ministerial cooperation and to streamline the still fragmented landscape of programmes and supporting instruments. Clarifying the implementation responsibilities of the different RTI actors and setting clear milestones could help increase the effectiveness and impact of research and innovation policy ([91]).

Business innovation

Austria's high level of R&D investment does not fully translate into high-impact innovation outputs compared with other R&I leaders. Business R&D intensity reached 2.25% of GDP in 2024, well above the EU average of 1.49%. However, business R&D expenditure remains predominantly concentrated in medium- and medium-high-tech sectors such as mechanical engineering, metalworking and electrical industries. Austria is characterised by a strong role for large and foreign-controlled firms in R&D activities ([92]). While this reflects Austria's attractiveness as a research location and its integration into global value chains, it also points to a concentration of R&D activities and limited diversification across different technological fields, particularly in emerging technologies. Despite the strong involvement of firms in research, borne out by a share of researchers employed in the business sector higher than the EU average and

([88]) Austria had the fourth-highest share of international scientific co-publications among EU Member States in 2024. Source: Scopus database.

([89]) Austrian Institute of Economic Research (WIFO) and Austrian Institute of Technology (AIT), 2025, *Mid-term evaluation of the RTI Strategy 2030*.

([90]) Austrian federal government, 2026, 'Bundesregierung beschließt FTI-Pakt für die Jahre 2027 bis 2029', 24 February 2026.

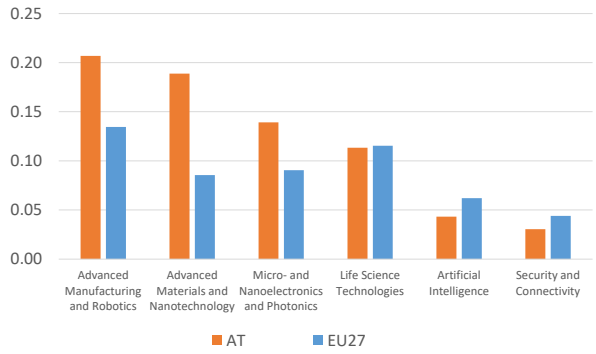
([91]) Austrian Council for Research and Technology Development (FORWIT), 2025, *Recommendation for the preparation of the FTI Pact 2027-29*.

([92]) *Austrian Research and Technology Report*, 2025.

increasing over time, structural challenges persist in translating technological capabilities into innovation outcomes. This is highlighted in the 2025 CSR on *the need to improve the translation of the high levels of R&D investment into marketable solutions.*

Overall, Austria generates comparatively fewer innovation outputs relative to its level of innovation investment ([93]). Patenting activity, measured by Patent Cooperation Treaty patent applications per billion GDP, remains above the EU average. However, the figure has steadily declined over the past decade, from 4.6 in 2013 to 3.5 in 2022. Austria demonstrates strengths in several key technology areas such as advanced manufacturing, environmental technology and quantum, supported for instance through the RRF-backed Quantum Austria-initiative, implemented by the FWF and the FFG ([94]). Nevertheless, some gaps remain in the development of digital technologies, including AI and big data (see Graph A4.2) ([95]). Broadening and strengthening R&D capabilities in critical technologies would be necessary to foster high-impact innovation and improve sustainability and competitiveness. In this context, the Industrial Strategy 2035 was announced in January 2026, allocating EUR 2.6 billion over 2026-2029 to nine key technologies including AI, advanced materials and life sciences and biotech, particularly through additional grant-based support and targeted funding programmes. The strategy could help address these gaps and strengthen R&D capabilities in critical technologies. This is complemented by the AI Factory Austria launched in 2025, which provides access to a high-performance computer, with support from EU funding under EuroHPC.

Graph A4.2: **Patent Cooperation Treaty patents per EUR billion GDP in key emerging technologies, 2020-2022 (Austria vs EU-27)**



Source: PATSTAT, European Patent Office database, extracted by Fraunhofer, Eurostat for GDP

Uptake of digital technologies by firms is increasing, but the adoption of more advanced digital technologies remains below EU levels. Austria performs above the EU average in the share of SMEs with at least a basic level of digital intensity (72.99% vs 71.39% in 2025) and in AI adoption by enterprises (29.95% vs 19.95% EU average). In contrast, cloud uptake remains below the EU average (41.70% vs 46.69%), while the use of data analytics also lags behind (26.34% vs 39.85%), pointing to a gap persisting in data-driven business transformation. To support wider adoption of advanced digital technologies, Austria continues to rely on established instruments that are being scaled up or put into operation. Of particular note are the SME.DIGITAL programme and the network of European Digital Innovation Hubs, which provide advisory services, training and investment support for SMEs' digital transformation. Austria is also advancing its data-driven innovation agenda through the data strategy for Austria and related measures supporting the data economy.

Total public support for business R&D has increased over the past decade and plays an important role in Austria's innovation system, notably through R&D tax incentives. Austria has one of the highest levels of R&D tax incentives as a share of GDP in the EU, ranking fourth overall. In December 2025 ([96]), Austria amended the Research Premium Ordinance to

([93]) In the Global Innovation Index 2025, Austria ranks 17th in innovation input but 21st in innovation output. The index points to growth in patenting activity slowing down despite sustained R&D investments.

([94]) https://www.bundeskanzleramt.gv.at/eu-aufbauplan/projekte/quantum-austria.html.

([95]) *Austrian Research and Technology Report*, 2025.

([96]) Austrian Federal Ministry of Finance, 2026, *Information on changes to the research premium following the amendment of the Research Premium Ordinance (FoPV), BGBl. II No. 302/2025, Information note*, 23 January 2026.

clarify eligibility and calculation rules, aligning eligible costs more closely with tax accounting, introducing new correction mechanisms for direct investments, and narrowing the scope of certain eligible R&D activities, particularly those closer to commercialisation. A complementary research premium guideline, intended to clarify the interpretation of eligible R&D activities, is still under preparation and has not yet been adopted. These changes primarily improve legal certainty and the consistency of the scheme, but their practical impact on the overall incentive structure for business R&D investment remains to be seen and will depend on the final implementation framework. While the strong R&D public support has contributed to stimulating private investment, it tends to favour incremental innovation in well-established medium- and medium-high technology sectors. Gaps therefore remain in fostering breakthrough innovation and supporting emerging technological fields. The continued reliance on established industrial sectors points to opportunities for strengthening support for disruptive technologies and the scaling-up of innovation. In this context, a more systematic review of existing support schemes could help increase the efficiency and impact of public support for innovation ([97]).

Austria benefits from a well-functioning science-business collaboration, but this potential is not fully translated into breakthrough innovation, marketable solutions and business dynamism. This is reflected in the 2025 CSR on *the need to improve the translation of the high levels of R&D investment into marketable solutions*. Collaboration intensity is high, as shown by the share of public-private co-publications, which at 15.9% of total scientific publications is well above the EU average of 7.6%, placing Austria first in the EU. However, strong collaboration does not yet sufficiently translate into commercially successful breakthrough innovations. Recently, Austria has put in place several instruments to strengthen knowledge transfer and commercialisation. The Competence Centres for Excellent Technologies (COMET) programme supports strategic technologies and fosters collaboration between SMEs, large firms and research organisations, enabling the transfer of research results into applied projects and prototypes. As announced in the Industrial Strategy 2035, the COMET centres will in future be more strongly oriented towards the exploitation, implementation and scaling of research results. In addition, the spin-off fellowship programme of the Federal Ministry of Women, Science and Research, as well the 'Spin-off Initiative' of the Austrian Federal Development and Financing Bank (*aws*), launched in September 2024, aim to further strengthen the commercialisation of publicly funded research. This will be achieved by supporting the establishment of spin-off hubs at universities, covering part of the operational costs in the start-up phase and facilitating access to private venture capital for research-based start-ups. As of 2025, the target for economically successful academic spin-offs set out in the RTI Strategy 2030 has been achieved, indicating progress in strengthening research commercialisation ([98]).

Entrepreneurial dynamism

Overall business dynamism is weak, even if start-ups play an important role in supporting Austria's competitiveness and innovation capacity. As reflected in the 2025 recommendation on the need *to promote business dynamism and the creation and growth of young companies*, business dynamism is overall weak, with firm entry and exit rates and the share of high-growth companies below the EU average: this hinders the renewal of the Austrian economic fabric ([99]). However, Austria's start-up ecosystem exhibits some strengths. According to the Austrian Startup Monitor 2024, the number of newly created start-ups has stabilised at around 370 per year ([100]). Austria's start-up ecosystem is

([97]) Austrian Institute of Economic Research (WIFO) and Austrian Institute of Technology (AIT), 2025, *Mid-term evaluation of the RTI Strategy 2030*.

([98]) Austrian Institute of Economic Research (WIFO) and Austrian Institute of Technology (AIT), 2025, *Mid-term evaluation of the RTI Strategy 2030*.

([99]) According to Eurostat, the share of high-growth enterprises measured in employment was 0.59% in Austria in 2023, well below the EU average of 0.87%. The birth and death rates of business are 6.23% and 5.08% respectively, well below the EU averages of 10.46% and 8.51% in 2023.

([100]) There is no common international definition for start-ups. Austrian Startup Monitor defines start-ups as companies that are less than 10 years old; which offer innovative products, services, technologies or business models; or that show or aim for significant growth in revenue and or time size. 'Deep

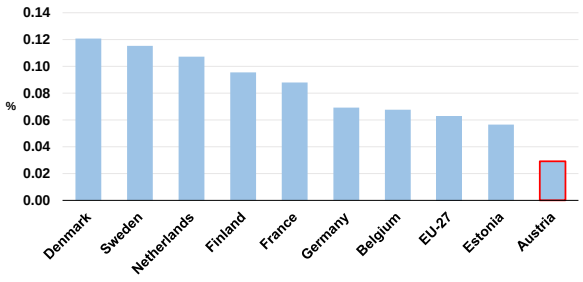
characterised by strong emphasis on research-based and academic spin-offs. Around one in six newly founded start-ups operates in deep tech fields, reflecting the close links between the start-up ecosystem and the country's research base. Overall, the survival rate of Austrian start-ups remains relatively high compared with peers, and start-ups display a strong international orientation from an early stage. Recognising the importance of start-ups for economic dynamism, the Startup Council established in 2022 brings together experts from Austria's start-up ecosystem to advise on the development and implementation of start-up-related measures and on improving framework conditions. Young people in Austria show a medium-level knowledge of financial literacy ([101]). The 2021 National Financial Literacy Strategy consolidated earlier efforts to introduce and strengthen financial literacy in all types of schools, through inclusion in curricula and adult learning ([102]).

Regulatory barriers persist, although several initiatives have been recently introduced to reduce them. Since 2024, a new flexible company form, 'Flexible Kapitalfesellschaft' (FlexCo), has been introduced. This offers founders of start-ups a simplified process for issuing shares and structuring ownership (see Annex 5). Administrative complexity, in particular in accessing public funding, is perceived by some start-ups as a significant obstacle ([103]). Easier access to public procurement could make a significant contribution to the market introduction of innovative solutions. For young and innovative companies in particular, public procurement can represent an important first market opportunity. An opportunity that one in three young and innovative companies in Austria is actively seeking.

Limited availability of risk capital continues to constrain the scaling-up of Austrian start-ups. As reflected on the 2025 recommendation on the need *to provide better access to venture and growth capital and removing barriers hindering investment from institutional investors in equity instruments*, Austria's venture capital market remains relatively small (0.029% of GDP vs EU 0.063% in 2024), a level well below those observed in leading EU countries. Investment activity has declined in recent years, reflecting lower participation by international investors and fewer financing deals, in particular at the scale-up stage ([104]). Financing for young and innovative companies remains heavily reliant on bank lending, while equity financing plays a limited role ([105]). As highlighted in the 2025 recommendation, increased availability of risk capital and stronger participation of institutional investors is key to unlocking business dynamism.

The limited development of the venture capital market is partly linked to the low participation of institutional investors, including pension funds. Institutional investors accounted for only around 1% of private equity and venture capital funds raised annually between 2007 and 2023, substantially below levels observed in leading EU countries (see Annex 6). To achieve this objective, the government announced in January 2026 the creation of a new fund of funds (*rot-weiß-roter Scale-up Fonds*) to mobilise and pool capital from institutional and private investors in support of the innovation ecosystem. The new fund is expected to be operational from the beginning of 2027 ([106]).

Graph A4.3: **Venture capital (market statistics) as a percentage of GDP, 2024**



Source: Invest Europe

Austria benefits from a strong human capital base in research and innovation and has

tech' are defined as companies that develop technological solutions based on scientific discoveries supported by R&D activities; that face a high level of technological risk; or that have filed for a patent or plan to do so.

([101])OECD, 2024, *PISA 2022 Results*, OECD Publishing, Paris.

([102])Austrian Federal Ministry of Finance (BMF), 2021, *Nationale Finanzbildungsstrategie für Österreich*.

([103])Austrian Startup Monitor 2024.

([104])Ernst & Young, 2026, *Start-up Investment Barometer Austria 2025*.

([105])OECD, July 2024, *OECD Economic Surveys Austria*.

([106])*Industriestrategie Österreich 2035*, January 2026.

taken early steps to include entrepreneurship education in its school system, yet skills shortages remain a binding constraint. With R&D personnel accounting for 2.2% of the workforce in 2023, Austria ranks fifth in the EU-27. In international comparison, Austria performs relatively well in terms of new graduates in STEM ([107]). Despite these strengths, shortages of skilled workers continue to limit Austria's growth potential, particularly among science and engineering professionals ([108]) (see Annex 11). While Austria is implementing a broad range of reforms to improve the performance of its education system (see Annex 13), companies still identify skills shortages as a major obstacle to investment (72% of companies surveyed) ([109]). Recent initiatives like the Start-up Employee Participation Act (*Mitarbeiterbeteiligung*) introduced in January 2024, which contains a new tax-friendly employee participation regime, could contribute to improving the attractiveness of start-ups to talents.

Austria has also started since mid-2000's to embed entrepreneurship education in the school system. The 2024 reform of the primary school curriculum further strengthens this approach by introducing entrepreneurship education as a cross-cutting topic, integrated across various school subjects. The University Colleges of Teacher Education, inspired by EU-innovative projects such as YouthStart entrepreneurial challenges, offer compact and practice-oriented training as part of the 'Empowering every child' programme. This holistic learning programme aims to support schools in implementing the new curriculum under the overarching theme of entrepreneurship education in primary schools. The Youth Entrepreneurship Week (YEW) project successfully supports upper secondary school students in developing their creative potential and entrepreneurial skills.

([107])Austria has a higher-than-EU-average share of new graduates in science and engineering per thousand population, as well as in the field of ICT: 17.9 and 4.1 respectively in 2023, compared with the EU averages of 16.8 and 3.8.

([108])Cedefop, *Skills forecast 2025: Austria, 2025*.

([109])European Investment Bank, 2025, *EIB Investment Survey 2024: Austria Overview*.

Table A4.1: **Key innovation indicators**

Austria	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.74	3.07	3.21	3.17	3.22	3.26	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.85	0.86	0.96	0.97	0.98	1.00	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	11.67	10.68	10.24	9.95	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	3.3	3.5	4.2	4.6	4.5	4.6	:	4.3	:
International co-publications as % of total number of publications	55.24	61.20	67.11	68.14	68.63	70.64	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.88	2.19	2.23	2.18	2.22	2.25	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	:	0.63	:	:	0.58	:	:	0.47	0.30
Researchers employed by business per thousand active population	5.5	6.4	7.4	8.3	8.4	8.6	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	4.86	4.49	4.17	3.48	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	0.54	0.59	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	57.93	:	72.99	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	23.94	:	26.34	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	35.56	:	41.70	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	10.79	20.27	29.95	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	12.64	13.58	14.75	15.58	16.23	15.90	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	:	0.05	:	:	0.05	:	:	0.06	0.02
Public support for business innovation									
Total public-sector support for BERD as % of GDP	:	0.43	:	:	:	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.11	0.15	0.27	0.17	:	:	:	0.10	:
BERD financed by the public sector (national and abroad) as % of GDP	:	0.28	:	:	0.13	:	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.020	0.024	0.021	0.079	0.074	0.029	:	0.06	:
Seed stage funding share (% of GDP)	0.002	0.003	0.001	0.001	0.002	0.001	:	0.01	:
Start-up stage funding share (% of GDP)	0.009	0.008	0.009	0.015	0.017	0.013	:	0.03	:
Later stage funding share (as % of GDP)	0.008	0.013	0.012	0.063	0.055	0.014	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	16.9	18.3	19.4	18.1	17.9	18.3	:	16.8	:
Graduates in the field of computing per thousand population aged 25-34	3.32	2.91	3.22	3.70	4.06	4.29	:	3.8	:

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

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

Austria's business environment is impacted by high energy costs, slow productivity growth as well as administrative burden and regulatory barriers. The industry is losing competitiveness due to high energy and labour costs and structural deficits while structural change is accelerating, and value creation is shifting from production to knowledge- and technology-intensive activities. In this vein, the 2025 country-specific recommendations (CSRs) called for measures to strengthen long-term competitiveness, targeting, among other things, promoting business dynamism by providing better access to venture and growth capital, simplifying regulation, reducing administrative burden, accelerating permitting as well as strengthening competition (CSR 3 2025). The 2025 CSRs also called on Austria to advance its industrial decarbonisation (CSR 4 2025).

While a lack of skilled labour, uncertainty about the future and high energy costs weigh heavily on companies' investment decisions, Austria is taking some steps to improve its business environment and enhance business dynamism. This is being done by endeavouring to improve access to equity finance, which remains an obstacle (see also Annex 6). Austria is also tackling the administrative burden and cumbersome permitting processes. Barriers persist with regard to the Single Market, for instance in terms of services and regulated professions. Other key indicators also show considerable room for improvement. Related to competition, an aspect addressed in the 2025 recommendations, the country's restrictiveness for retail operations and a high market concentration remain a concern and may impact prices for consumers. Austria also continues to face gaps in fixed gigabit infrastructure, particularly for fibre, despite strong performance in mobile connectivity.

Business dynamics

Austria is a small, open and diversified economy. Industry made up 19% of the total gross value added (GVA) in 2024 ([110]). Together with the mechanical engineering industry, vehicle construction, including motor vehicle engines and vehicle parts, is one of the sectors with the highest export volume. Other top product groups in Austrian exports include chemical products, iron and steel, food and beverages ([111]). Small to medium-sized enterprises (SMEs) make up 99.7% of businesses and generate 57.3% of the economy's value added ([112]).

Despite some signs of recovery, Austria's economic situation remains challenging. While Austria has a high level of labour productivity, it has been declining since 2022 amid under-utilised capacities (see Table A5.1), with growth in total factor productivity also remaining flat. The decline was due in particular to manufacturing and construction, which suffered the largest drops in demand, but also to some service sectors ([113]). Some companies are also increasingly facing restrictions when it comes to financing investments, despite the shares of public as well as private investment relative to GDP remaining slightly higher than the EU average ([114]). The perceived investment gap reported by companies is slightly higher than the EU average, with 13% of firms reporting underinvestment over the past three years ([115]) (see Annex 6). In terms of foreign direct investment (FDI), EUR 10.7 billion flowed into Austria from abroad in 2024, an increase compared with 2023 ([116]), with Germany remaining the largest foreign investor ([117]). Generally, FDI is mainly directed towards service activities, reflecting Austria's role as a regional hub for multinational enterprises ([118]).

Business dynamism, an element addressed in the 2025 CSRs, is traditionally rather low in Austria. This signals the presence of obstacles to

([110])Eurostat, 2026, *Gross value added and income by main industry*, Ec.europa.eu.

([111])Federal Chamber of Commerce, 2025, *So wichtig ist Export für Österreich*, Wko.at.

([112])European Commission, 2025, *SME Performance Review, Country Fact Sheet Austria* Ec.europa.eu.

([113])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at.

([114])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at.

([115])European Investment Bank, 2025, *EIB investment survey 2025,* Eib.org.

([116])Austrian National Bank, 2025, *Österreich erzielt in schwierigem Umfeld ein Leistungsbilanzplus,* Oenb.at.

([117])EY, 2025, Standort Österreich, Ey.com.

([118])OECD, 2023, *FDI Qualities Review of Austria*, Oecd.org.

efficient resource reallocation and within-firm productivity growth. Both the business churn rate and the share of high-growth enterprises were below the EU aggregate in 2023. Considering the 2021-2023 average, Austria ranks in the bottom quartile of EU Member States for both indicators. While Austria has a low share of high-growth firms, business creation data from the Austrian Federal Economic Chamber shows that a total of 40 936 firms were newly registered in 2024. This is slightly higher than in 2023 (+0.4%), with preliminary 2025 data also indicating a positive trend. Since January 2026, a completely digital business registration, the 'GISAExpress' has been available. Commercial procedures can be completed directly electronically by entering them in the Austrian Business Licence Information System (GISA).

A lack of skilled labour, uncertainty about the future and high energy costs are the main reported investment obstacles. According to the EIB Investment Survey, the main long-term obstacles to investment reported by Austrian firms in 2025 were the availability of skilled staff (85%, 2024: 86%), uncertainty about the future due to geopolitical tensions and weak economic outlook (85%, 2024: 81%), and high energy costs (81% in 2024 and 2025) ([119]). All of these are slightly higher than their EU averages, indicating a slightly more pessimistic outlook in the Austrian business community. However, recent trends show that export-oriented companies are once again looking more optimistically into the future, despite uncertainties regarding long-term decisions such as investment and staffing ([120]). Labour shortages persist in many sectors and, due to demographic trends, the labour supply is expected to become an increasingly limiting factor for economic growth in the future. 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 (see also Annex 11 and Annex 13). Particularly energy-intensive industries have also felt the burden of energy costs on business revenues since the energy crisis (see also Annex 9).

([119])European Investment Bank, 2025, *EIB investment survey 2025,* Eib.org.

([120])Federal Economic Chamber, 2025, *WKÖ-Wirtschaftsbarometer Winter 2025*, Wko.at.

Following a surge in 2024, 2025 saw another increase in corporate insolvencies, with 19 companies sliding into bankruptcy every day. The number of company bankruptcies rose by 3.4%, with retail, construction and gastronomy/accommodation as insolvency drivers although there was a slight decrease in insolvencies in the latter sector in 2025. Despite this increase, preliminary liabilities fell by 55.2% year-on-year to approximately EUR 8.48 billion. This is due to the significantly lower number of insolvencies with liabilities of more than EUR 200 million in 2025. While the number of employees affected (21 900) fell by 26% compared with 2024, there was an 8.5% increase in terms of affected creditors (54 600). In addition, a high number of unopened proceedings is putting a strain on the domestic economy ([121]).

Business environment

Austria's administrative and regulatory burden, an issue addressed in the 2025 CSRs, remains high. The country is ranked as less competition-friendly than the OECD average ([122]). 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 78% and as a major obstacle by 41% of businesses (EU averages: 69% and 34%, respectively) ([123]). On average, a company has to spend 13 hours of working time per week on bureaucracy alone, according to the Federal Economic Chamber ([124]). While licensing and permitting, a key element of the 2025 recommendation, was assessed by the OECD as comparatively less cumbersome in the past ([125]), administrative and regulatory constraints can still hamper faster progress in important areas, such as the deployment of renewables. Despite efforts to simplify procedures, such as the adoption of the

([121])KSV1870, 2026, *Unternehmensinsolvenz 2025*, Ksv.at.

([122])OECD, 2024, *Product market regulation – country note Austria*, 2024, Oecd.org.

([123])European Investment Bank, 2025, *EIB investment survey 2025,* Eib.org.

([124])Federal Economic Chamber, 2025, *WKÖ-Danninger drängt auf Umsetzung des Entbürokratisierungspakets,* Wko.at.

([125])OECD, 2024, *Product market regulation – country note Austria*, 2024, Oecd.org.

Renewables Expansion Act and the amendment of the Environmental Impact Assessment Act, the far-reaching powers of federal states in areas like spatial planning and zoning can still lead to complex requirements and differing procedures. Permitting issues may also persist relating to building permits. Approval processes related to building regulations are regulated at federal state level, resulting in differences in depth, deadlines and detail requirements ([126]).

In the field of simplification, burden reduction and permitting, which are addressed by the 2025 CSRs, a number of measures to improve the situation are ongoing. In 2025, individuals and businesses submitted over 4000 suggestions for simplification to the new Office for Reducing Bureaucracy and Deregulation (SEDA). Furthermore, a package of measures comprising a total of 113 reform steps affecting various areas to reduce regulatory burden was presented by the federal government. As part of this initiative to reduce administrative burden, there are plans to overturn more than a hundred rules and regulations. Furthermore, an acceleration of permitting procedures and an end to duplicate checks (one-stop-shop) is envisaged. This would mean that permits will be processed in a single procedure, with just one decision being issued ([127]). Prior to these endeavours, Austria adopted a package to relieve the administrative burden on SMEs. Legislative initiatives to accelerate permitting for renewable energy projects and for smaller businesses of any kind are also ongoing.

Austria's e-government performance is mixed. The country leads in certain areas, such as total digital public services ([128]) for individuals and technical deployment of electronic health records. While still lagging behind that of some other Member States, Austria's performance in digital public services for businesses shows a promising development, with higher growth rates than the EU in both total and cross-border digital public services ([129]). The provision of cross-border digital public services is also expected to improve with progress being made in implementing the Single Digital Gateway (see Annex 7).

Although trends in connectivity infrastructure are generally positive, Austria continues to display a mixed performance, with strong results in mobile connectivity and remaining gaps in fixed gigabit networks. 5G coverage is close to saturation and aligned with the Digital Decade 2030 targets, while very high-capacity network (VHCN) and fibre-to-the-premises (FTTP) coverage remain below the EU averages, including in rural areas, despite robust growth rates. Overall 5G coverage reached 99.55% in 2024, above the EU average, including high-quality 5G in the 3.4-3.8 GHz band (83.97%), and robust coverage even in sparsely populated areas. By contrast, VHCN coverage stood at 72.16% in 2024, still below the EU average (82.49%), while FTTP coverage reached 44.82%, remaining significantly below the EU level (69.24%), with lower coverage in rural areas at 33.89% (against the EU average of 58.78%), which continues to be a challenge. Austria has recorded growth rates above the EU average for both VHCN and FTTP and relies primarily on the Broadband Austria 2030 initiative, including RRF (Recovery and Resilience Facility)-backed investments, as its main funding instrument for fibre deployment, complemented by the alignment of national legislation with the Gigabit Infrastructure Act. Overall, Austria is broadly aligned with its national connectivity trajectory, but further acceleration of fibre deployment remains key to closing the gap with EU averages.

Availability of finance remains an obstacle to investment and hampers business dynamism. While the share of Austrian businesses reporting this as an obstacle is slightly below the EU average (44% vs 45%) ([130]), Austria is still at the lower end of the EU when it comes to the use of equity and venture capital for corporate financing, with business financing heavily skewed

([126])European Commission, 2025, *Development of a business case on the concept and potential impact of implementing Digital Building Permits (DBP) within the EU construction sector*.

([127])Federal Ministry of European and International Affairs, 2025, *Entbürokratisierungspaket*, Bmwet.gv.at.

([128])*Part of the barriers highlighted in the* Single market strategy *("Terrible Ten") and the* 2026 Annual Single Market and Competitiveness Report.

([129])European Commission, 2025, *Digital Decade Country Report Austria*, Ec.europa.eu.

([130])European Investment Bank, 2025, *EIB investment survey 2025,* Eib.org.

towards bank loans ([131]) (see Annex 6). In addition, in its medium-term fiscal-structural plan (MTP), Austria committed to a reform of the capitalisation of in-house invented intellectual property in businesses' balance sheets, which is also expected to improve access to risk capital for innovative firms, especially start-ups. Furthermore, the planned creation of a fund of funds, will aim to mobilise national and international venture capital to facilitate better access of Austrian companies to growth capital (see also Annex 4).

2025 saw some positive developments regarding late payments ([132]). Despite an increase compared with 2024, Austria has one of the narrowest payment gaps for business-to-business payments (i.e. the gap between the agreed and actual payment times). The gap for payments from the public sector decreased to 14.8 days but remains above the EU average. In the same vein, while 44.6% of SMEs were still reporting late payments from other businesses, this share is below the EU average. The share of SMEs reporting payment delays from public entities (12.1%) decreased compared with 2024 and is one of the lowest in the EU (see Table A5.1).

Single Market

Recent economic volatility and trade tensions underlined the importance of the EU Single Market for growth and resilience. Intra-EU trade stood at 37.1% of GDP in 2025 (EU average 40.7%). According to the EIB Investment Survey, 75% of Austrian firms either imported and/or exported goods and/or services (within the Single Market or beyond), which is considerably above the EU average of 66% ([133]), with most exporters being SMEs ([134]). EU Member States, in particular Germany, remain among Austria's most important trading partners. Exports to Germany alone made up a total export share of 29.7% of the entire Austrian economy in 2024. Germany is also the largest investor in the country ([135]). The world market share of Austrian goods exports fell strongly in 2024, as the increase in global interest rates reduced demand for machinery and investment goods, in which Austria is specialised. Sharp increases in energy and unit labour costs and the strong appreciation of the euro against the US dollar since the beginning of 2025 are creating additional pressure ([136]).

Key Single Market indicators show considerable room for improvement. Austria's transposition and conformity deficits with respect to Single Market directives ([137]) are clearly higher than the EU averages. The percentage of directives not transposed in a timely manner (transposition deficit) increased to 1.5%, which is above the EU average of 1.1% 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 1.7% in 2024 (EU average 1.1%) and is now the fourth highest in the EU, behind Hungary, Italy and Poland. The number of infringement cases is also marginally higher than the EU average. In addition, Austria resolved 73.3% of the SOLVIT EU rights resolution cases it handled as lead centre in 2025 (against an EU average of 84.6%). After Greece, Poland and Sweden, this is the fourth lowest share among Member States ([138]).

Compliance of products circulating in the Single Market ([139]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Austria, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market

([131])Austrian Productivity Board, 2024, *Productivity Report*, Produktivitaetsrat.at.

([132])*Part of the barriers highlighted in the* Single market strategy *('Terrible Ten') and the* 2026 Annual Single Market and Competitiveness Report.

([133])European Investment Bank, 2025, *EIB Investment Survey 2025,* Eib.org.

([134])Austrian Federal Economic Chamber , 2025, *So wichtig ist Export für Österreich*, Wko.at.

([135])Federal Ministry of Economy, Energy and Tourism, *Bilateral economic relations with Europe*, Bmaw.gv.at.

([136])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at.

([137])*Part of the barriers highlighted in the* Single market strategy *("Terrible Ten") and the* 2026 Annual Single Market and Competitiveness Report.

([138])European Commission, *Single Market and Competitiveness Scoreboard*, Ec.europa.eu.

([139])*Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.*

surveillance (ICSMS) a total of 215.3 investigations per one million inhabitants, which is higher than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

Regulatory and administrative barriers to the Single Market persist, affecting goods trade, and particularly the provision of services. Businesses report that cross-border movements of waste and secondary materials remain burdensome, as EU waste-shipment rules are complemented by national requirements under Austria's Waste Management Act, creating additional compliance obligations and complexity for operators engaged in import, export and transit.([140]). 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 logistics freight-forwarding are the most restricted ([141]). Restrictions affecting the temporary movement of engineering professionals are significant compared with EU best performers. Potential hindrances are a relatively short initial duration of stay for contractual and independent services suppliers and a requirement for foreign engineering professionals to take a local examination to obtain a licence to practice ([142]). Furthermore, labour market tests are applied to workers seeking to provide services in Austria on a temporary basis as intra-corporate transferees, contractual services suppliers or independent service providers ([143]).

Barriers also persist in professional services ([144]). Related to the 2025 CSR on strengthening competition overall, Austria has not yet taken any specific measures regarding services and professions. The OECD found that regulatory restrictiveness is higher in Austria than the EU average for regulated professions, such as civil engineers, accountants, and estate agents ([145]). Access barriers and restrictive rules include extensive reserved activities and interdisciplinary restrictions ([146]). So far, progress in addressing barriers in the field of business services has remained limited. In answer to a survey carried out by the European Commission between December 2025 and February 2026, Austria reported it fully implemented 12 and partially implemented 3 out of 18 of the 2021 Commission recommendations ([147]). The Commission is currently assessing Austria's answer to measure actual progress in implementing the 2021 recommendations.

With regard to the 2025 recommendation on simplification and reducing administrative burden, Austria has taken some action to accelerate and simplify business establishment procedures in recent years ([148]). Since 1 January 2026, it has been possible to register businesses in a completely digital fashion, including via smartphone. The aim is to reduce manual checks, leading to considerable time and administrative cost savings ([149]). Against the backdrop of low dynamism and young innovative companies and start-ups struggling with liquidity, Austria also 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 Annex 6). Austria expects the

([140])European Round Table for Industry (ERT), 2025, *Single Market Compendium of Obstacles*, ert.eu.

([141])OECD, 2026, *Services Trade Restrictiveness Index (STRI),* Oecd.org.

([142])OECD, 2026, *Services Trade Restrictiveness Index (STRI),* Oecd.org and OECD, 2025, *Services Trade Restrictiveness Index (STRI)*,Oecd.org.

([143])OECD, 2026, *Services Trade Restrictiveness Index (STRI),* Oecd.org.

([144])*Part of the barriers highlighted in the* Single market strategy *('Terrible Ten') and the* 2026 Annual Single Market and Competitiveness Report.

([145])OECD, 2024, *Product market regulation – country note Austria*, 2024, Oecd.org.

([146])European Commission, 2021, *Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021*, Eur-lex.europa.eu.

([147])European Commission, 2021, *Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021*, Eur-lex.europa.eu.

([148])*Part of the barriers highlighted in the* Single market strategy *('Terrible Ten') and the* 2026 Annual Single Market and Competitiveness Report.

([149])Federal Economic Chamber, 2025, *Aktuelle Entwicklungen: Maßnahmenpaket der Bundesregierung zur Entbürokratisierung*, Wko.at.

total number of flexible companies to reach 7 500 after five years.

Also tied to the 2025 CSR on strengthening competition, Austria remains among the most restrictive Member States for retail operations, boasting a high market concentration. Market entry, which is already difficult due to high investment costs and oversaturation, is further hindered by stringent establishment rules ([150]). For instance, by end 2024, more than 200 local retailers had closed down their shops since 2019, while the top four food retailers were able to open even more branches during the same period. Austria already has one of the highest market concentrations in the EU, especially in food retailing, where the four biggest players in the sector generate around 91% of the total turnover ([151]). Market concentration is often linked to structural competition issues, such as higher market entry barriers and a higher risk of collusion between competitors ([152]). Market entry barriers are also of a regulatory and infrastructural nature, including the availability of land, zoning and development plans, building law requirements, the attitude of cities/municipalities towards the establishment of branches, traffic development and transport links, and the availability of labour ([153]).

The 'Austria surcharge' in retail also puts consumers at a disadvantage. In 2023, the Austrian Federal Competition Authority highlighted the aforementioned high market concentration as well as higher prices compared with other countries, which could result from territorial supply constraints ([154]). Often referred to as an 'Austria surcharge', these constraints ([155]) can disadvantage Austrian consumers. It can mean that identical branded products are significantly more expensive in Austria than in neighbouring Member States, especially Germany, with a price difference that cannot be explained by other factors such as tax rates ([156]). In October 2025, the parliamentary groups of the government parties called on the Minister for Economy, Energy, and Tourism in another motion for a resolution to continue advocating for effective measures against the surcharge at European level ([157]). In addition to these challenges, like elsewhere in Europe, physical retail is also under pressure from online competition (often from abroad).

On public procurement, Austria is an average performer overall. The percentage of contracts awarded after just one bid was submitted was 27% in 2025, which corresponds to the EU median. Furthermore, the rate of direct awards of 12% in 2024 and 2025 was the fourth highest among EU Member States, thus surpassing the EU median.

To strategically leverage the approximately 18% of GDP that Austria spends annually on public procurement ([158]), the country has become a front runner in terms of innovation procurement. Austria's new industrial strategy announced an upcoming action plan for strategic and innovation procurement ([159]). In addition, the country's recently presented administrative burden reduction package also includes the promotion of innovation procurement as one of its objectives, though specific details on measures planned have yet to be announced ([160]). With the 'IÖB initiative', Austria belongs to a group of frontrunners that have already established a central hub dedicated to innovation procurement, acknowledging its value and experimenting at advanced level. Furthermore, the Austrian Start-Up Council is currently advising on the involvement and support of innovative start-ups in public procurement. In addition, Austria aims to promote socially responsible public procurement, which is also

([150])European Commission, 2022, *Retail restrictiveness indicator (2022 update)*, Ec.europa.eu.

([151])OECD, 2024, *Competition in the Food Supply Chain – Contribution from Austria*, OECD.org.

([152])OECD, 2024, *Competition in the Food Supply Chain – Contribution from Austria*, OECD.org.

([153])OECD, 2024, *Competition in the Food Supply Chain – Contribution from Austria*, OECD.org.

([154])Austrian Federal Competition Authority (AFCA), 2023, *Final report on sector Inquiry*, Bwb.gv.at.

([155])*Part of the barriers highlighted in the* Single market strategy *('Terrible 10') and the* 2026 Annual Single Market and Competitiveness Report.

([156])Chamber of Labour Vienna, *Why is food so much more expensive in Austria?*, Wien.arbeiterkammer.at.

([157])Parlament Österreich, 2025, *Parlamentskorrespondenz Nr. 934 vom 21.10.2025*, Parlament.gv.at.

([158])Austrian Parliament, 2023, *Fachinfos- Fachdossiers, Nachhaltige öffentliche Beschaffung*, Parlament.gv.at.

([159])Federal Ministry of Economy, Energy and Tourism, 2026, *Industrial Strategy Austria 2035*, Bmwet.gv.at.

([160])Federal Ministry of European and International Affairs, 2025, *Entbürokratisierungspaket*, Bmwet.gv.at.

anchored in the country's social partnership system, and previously published an action plan on green public procurement (GPP) ([161]).

Businesses' views on corruption risks in public procurement are below the EU average. In Austria, 52% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures, and 50% (EU average: 53%) conflicts of interest in the evaluation of bids, to be a 'very' or 'fairly widespread' practice. Among companies that have experience of and have participated in a public procurement procedure, 22% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([162]). 88% of businesses perceive the level of independence of the public procurement review body at federal level (the Federal Administrative Court) to be 'very' or 'fairly good' when it is reviewing public procurement cases ([163]). The Austrian Court of Audit regularly examines areas with particularly high risks of corruption and had recommended that federal authorities procure more via a central purchasing body ([164]). The Federal Ministry of Justice is planning a project aimed at further developing e-procurement, also with a view to enhancing efficiency and transparency ([165]). When identifying sectors at high risk of corruption, civil society and the prosecution service still point to the links between some media outlets and the political sphere, especially regarding state advertising, as well as to the zoning and urban planning sector, particularly at local level ([166]).

There are currently 4 eProcurement services operating in Austria. With one of them specialised on train and highway construction, fragmentation still exits not only cross-border but also within Austria. German economic operators seeking to participate in Austria are currently required to use the Austrian buyer's designated eProcurement service. Similarly, an Austrian economic operator seeking to participate in Germany must use the eProcurement service specified by the German buyer, effectively creating a factual barrier. This fragmentation underscores the need for introducing interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the EU still lack digital access to relevant evidence. The Austrian authorities have also reported data quality concerns, pointing to the need for robust validation rules. Therefore, the Austrian system would benefit from a dedicated public procurement data collection and analysis service within the government to support data-driven oversight of the procurement life cycle ([167]).

As the pace of technological development intensifies, the strength of the European Standardisation System increasingly relies on the capacity of national standardisation bodies ([168]) to engage a broad and highly skilled expert community. In Austria, it is therefore essential to reinforce the role of Austrian Standards International and the Austrian Electrotechnical Association (OVE) so they can sustain active participation from a critical mass of stakeholders and technical specialists. At the same time, advancing towards a more digitalised national standardisation framework—designed to enhance responsiveness, streamline processes, and widen participation—will require greater allocation of resources. Such efforts are crucial for Austria to develop a resilient and forward-looking standardisation ecosystem, enabling its industries to fully leverage opportunities within the Single Market.

([161])Federal Ministry of Justice, 2021, *National Action Plan to promote sustainable public procurement,* Bmj.gv.at.

([162])European Commission, 2025, *Flash Eurobarometer 557*, Data.europa.eu.

([163])European Commission, 2025, EU Justice Scoreboard, Ec.europa.eu and European Commission, 2025, Flash Eurobarometer 555, Ec.europa.eu.

([164])European Commission, 2025, Rule of Law Report – Country Chapter Austria, Ec.europa.eu.

([165])European Commission, 2025, Rule of Law Report – Country Chapter Austria, Ec.europa.eu.

([166])European Commission, 2025, Rule of Law Report – Country Chapter Austria, Ec.europa.eu.

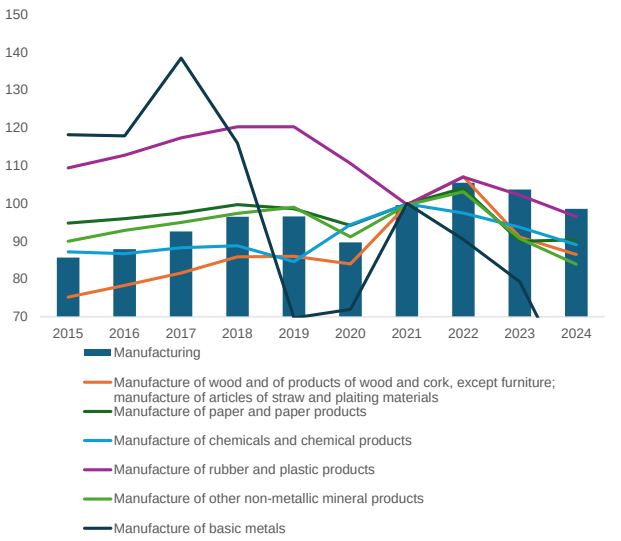
([167])European Court of Auditors, Special Report 28/2023: *Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*, 2023, Special report 28/2023: Public procurement in the EU.

([168])*Part of the barriers highlighted in the* Single market strategy *('Terrible 10') and the* 2026 Annual Single Market and Competitiveness Report.

Industry and economic security

Energy-intensive industries have been facing particular challenges. These sectors are experiencing a decline in production, while knowledge-intensive services are gaining in importance. Energy-intensive industries saw their energy costs increase by as much as 28% and 46% respectively in 2021 and 2022, and companies in the emissions trading system recorded increases of up to 59% ([169]). Although support measures partially alleviated the burden, electricity prices for Austrian companies have remained among the highest in the EU ([170]). As a result, around 75% of energy-intensive companies consider energy prices to be a particularly relevant risk to their business operations ([171]). An announced industrial electricity price of 5 cents per kWh, to be introduced in 2027, is expected to bring some relief, as will the adoption of the Electricity Act. This Act overhauls the existing electricity market rules and, among other things, introduces power purchase agreements and strengthens grid efficiency, digitalisation and renewables integration. However, its full impact is only expected in 2-3 years. Furthermore, several one-off measures are being implemented, such as the *Stromkosten-Ausgleichsgesetz,* which grants subsidies to offset the increase in electricity prices resulting from the EU Emissions Trading System for 2025/2026, and the reduction of the electricity levy from 1.5 cents/kWh to 0.82 cents for the year 2026 (see also Annex 9).

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

Following growth in 2021-2022, production in manufacturing also fell from the beginning of 2023 ([172]). Gross value added in manufacturing declined by 8.75% between 2022 and 2024 but started to grow again in 2025 ([173]). Energy-intensive industries accounted for approximately 4.7% of Austria's total manufacturing gross value added in 2024. Production in chemicals, rubber and plastic products, as well as paper and paper products declined by around 10% between 2021 and 2024, while manufacturing of non-metallic mineral products fell by just over 15% (see Graph A5.1). Austria's industry is being affected not only by energy costs but also by sharply rising unit labour costs as well as by protectionist tendencies in global trade and China's increasing industrial dominance ([174]).

Related to the 2025 CSR sub-part on advancing industrial decarbonisation, the industrial strategy recently presented by Austria

([169])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at. and WIFO, 2025, *Industry Survey 2025*, Wifo.ac.at.

([170])Eurostat, 2025, Electricity price statistics, Ec.europa.eu.

([171])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at. and WIFO, 2025, *Industry Survey 2025*, Wifo.ac.at.

([172])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at.

([173])Eurostat, 2026, *Gross value added and income by main industry (nama_10_a10)*, Ec.europa.eu.

([174])Austrian Productivity Board, 2025, Productivity report 2025, Produktivitaetsrat.at.

([175]) includes commitments to strengthening circularity, improving resource productivity and promoting key and innovative technologies. These commitments have yet to be implemented. Several initiatives, for instance on the transformation of industry ([176]), were launched in recent years but are increasingly constrained by budgetary consolidation measures (see also Annex 8).

Austria's automotive supplier industry, in a similar way to its counterparts in other parts of Europe, is struggling to achieve global competitiveness in the midst of the e-vehicle transformation. The automotive supplier industry is an important industrial sector, employing 35 900 people. It also has an export quota of 87%, of which around 40% goes to Germany ([177]). As a result, difficulties in the German market also hit Austrian companies in the value chain. Higher costs than those of Asian competitors and a weak demand for electric cars further impact on the sector's competitiveness as well as on the sustainable mobility transition. The share of newly registered electric cars is also considerably lower than in some other Member States (see Annex 8).

Despite challenges, Austria remains a major supplier of photovoltaics and has potential for further development in wind technologies. 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 ([178]). Austria also participates in several important projects of common European interest (IPCEIs) related to strategic technologies for Europe. Notably, it is also involved in the IPCEIs on microelectronics, batteries and hydrogen (the latter also being supported through the recovery and resilience plan). These are expected to facilitate further research and development and initiate additional activities in these key strategic value chains.

Austria has made some progress in implementing the Net-Zero Industry Act (NZIA). It has successfully designated a single point of contact, which is crucial for streamlining communication and coordination among stakeholders. Furthermore, Austria has established a national contact point to process applications, facilitating the advancement of net-zero strategic projects. However, so far, Austria has not confirmed any net-zero strategic projects and has not designated any net-zero acceleration valleys.

Manufacturing depends heavily on imports of critical raw materials. The main imports are coking coal, aluminium and copper waste ([179]). 40.9% of material inputs in manufacturing production originated from imports in 2024, showing Austria's particular vulnerability to supply chain disruptions. To mitigate such vulnerabilities, Austria adopted its raw materials 2030 masterplan in 2021 ([180]), whose implementation is ongoing ([181]). In addition, recycling can also offer some further potential to reduce the need for critical raw materials. Austria's overall circular material use rate is already above the EU average and the recycling rate for e-waste, a key source of critical raw materials, is also slightly above the EU average (at 83.3% vs 82.2% in 2023 ([182]).

([175])Federal Ministry of Economy, Energy and Tourism, 2026, *Industrial Strategy Austria 2035*, Bmwet.gv.at.

([176])For example: Federal Ministry of Economy, Energy and Tourism, 2025, *Transformation der Industrie*, Bmwet.gv.at and Climate and Energy Fund, 2025, *FIT-Initiative für die Transformation der Industrie*, Klimafonds.gv.at.

([177])Federal Economic Chamber, 2024, *Austria's automotive industry*, Fahrzeugindustrie.at.

([178])European Commission, 2025, *The net-zero manufacturing industry landscape across the Member States*, Op.europa.eu.

([179])European Commission, 2022, *Raw Materials Information System – Country Profile Austria,* Ec.europa.eu.

([180])Federal Ministry of Finance, *2021, Masterplan Raw Materials 2030,* Bmf.gv.at.

([181])Federal Ministry of Finance, 2025, *Monitoring report,* Bmf.gv.at.

([182])Eurostat, 2025, *Recycling rate of waste of electrical and electronic equipment (WEEE) separately collected*, Ec.europa.eu.

Table A5.1: **Single Market and Industry**

Austria								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		116.0	119.7	118.5	117.6	115.9	100.0
	Business investment (share of GDP)[1]		15.8	15.4	15.3	14.1	-	12.6
	Public investment (share of GDP)[1]		3.6	3.4	3.7	3.9	-	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		35.4	26.1	30.2	46.8	41.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.73	0.70	0.52	0.37	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.19	0.12	0.14	0.10	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		11.7	13.6	16.6	13.7	15.3	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		11.8	13.7	15.4	18.1	14.8	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	42.6	44.6	47.1
		from public entities in the previous or current quarter	-	-	-	16.9	12.1	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		38.3	42.1	39.3	37.6	37.1	40.7
	EEA Services Trade Restrictiveness index[6]		0.063	0.062	0.062	0.062	0.062	0.050
Public procurement	Single bids, % of total contractors[7*]		26	28	28	36	27	27
	Direct awards, % of negotiated procedures[7*]		10	8	7	12	12	6
Compliance	Transposition deficit, % of all directives not transposed[8]		1.9	1	1	1.2	1.5	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1.5	1.2	1.4	1.5	1.7	1.1
	SOLVIT, resolution rate per country, %[8]		74.44	71.9	70	79.8	73.3	84.6
	Number of pending infringement proceedings[8]		29	27	24	26	26	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.0875	0.1513	0.1971	0.1539	0.1405	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		30.8	29.3	29.2	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		34.6	34.1	41.6	43.0	-	25.2
Critical raw materials	Material import dependency, %[1]		43.0	41.9	41.6	40.9	-	22.4
	Circular material use rate[1]		11.2	12.2	14.2	15.2	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		0.01 (c), 0.475 (m)		- Electrolyzer, GW		-	
	- Heat pump assembly		0.06		- Battery, GW		-	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 7.2% of GDP (32.3% in the EU) 10-year real return of -0.1 (1.4% in the EU)	The very low pension assets yield a negative real return.
Households' financial assets	EUR 98 778 per capita (EUR 85 090 in the EU) o/w 9.1% in listed shares and bonds (7.6% in the EU) o/w 11.7% in investment funds (11.0% in the EU) o/w 7.2% in life insurance (13.4% in the EU) o/w 7.8% in pension claims (13.6% in the EU)	Substantial household wealth invested to a similar degree as EU peers in listed shares, bonds and investment funds.
Venture capital (VC) **Private equity (PE)**	VC at 0.029% of GDP (0.064% in the EU) PE at 0.255% of GDP (0.487% in the EU)	Moderate venture capital and private equity investments.
Capital taxation	Capital gains tax for individuals at 27.5%, capital income and capital gains tax for companies tax of 23%.	No preferential tax treatment for equity investments, average rates of capital taxation.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

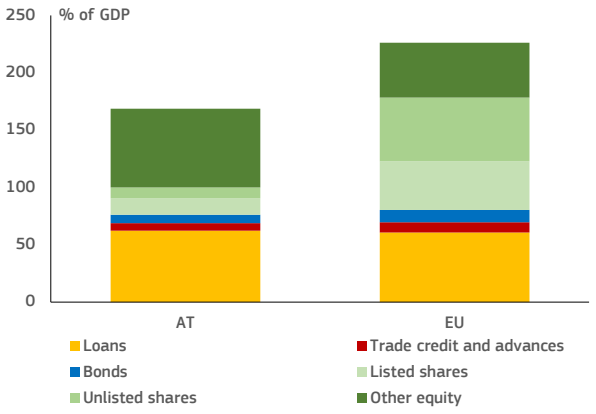
Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

Austria could benefit from further progress towards the policy goals of the Savings and Investment Union (see Table A6.1*) and the reforms addressing elements of the 2025 CSR ([183]). The funding model for Austrian non-financial corporations is mainly bank-oriented and less capital market-intensive than for EU peers. The capital markets remain comparatively small in terms of capitalisation and volumes traded. The degree of direct retail investment in Austria's capital markets is low. Austrian households have financial portfolio profiles with very low risk. Institutional investors in Austria have only limited funds and capacity to channel savings into investment and to support capital market development. Participation and assets under management in the occupational and private pension segments can be further supported by elements such as auto-enrolment in pillar 2 and introducing further tax incentives to pillar 2 and 3 pension schemes. The domestic venture and growth capital markets are not yet fully developed to meet all the financing needs of innovative firms, notably of scale-ups.*

Business landscape and company funding

in terms of structure and size, the Austrian economy is less reliant on micro companies than the EU average. Small, medium and large companies play a stronger role in the structure of the economy, at the expense of micro enterprises ([184]). This has implications for the corporate sector's demand for and access to funding, which are discussed in this annex.

Graph A6.1: **Composition of non-financial companies' funding**



Source: Eurostat. End-2024.

Austrian companies rely more on internal and bank funding and less on capital markets than the EU average. As of 2024, Austrian non-financial corporations (NFCs) relied slightly more

([183])'*Promote business dynamism, and the creation and growth of young companies, including by providing better access to venture and growth capital and removing barriers hindering investment from institutional investors in equity instruments.*'

([184])See Annex 5 for more details.

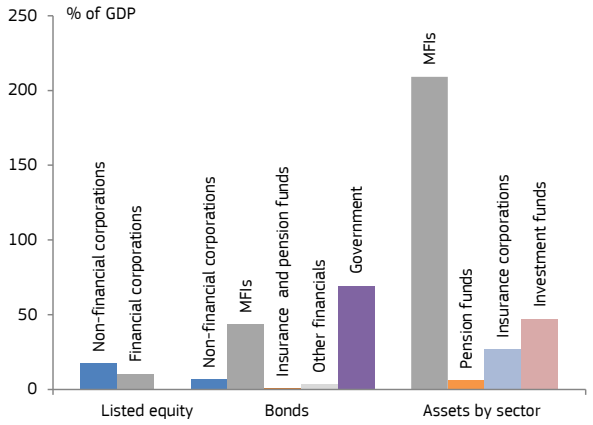
on loans (62.3% of total liabilities) than the EU average (60.8%) and significantly less on market-based instruments such as listed shares (14.5% vs 42.5%) and bonds (7.2% vs 10.7%, see Graph A6.1). Trade credit also accounted for a smaller share in Austria (6.6% vs 8.9%). Austrian firms made greater use of other equity (68.7% vs 47.8%). According to the 2025 EIB Investment Survey ([185]), only 13% of Austrian firms believed that their investment activities over the last three years were less than needed, slightly worse than the EU average for perceived underinvestment (12%), suggesting a low financing gap relative to investment demand. However, this may not be the case for firms with limited capacity for internal funding, such as micro, small and medium enterprises or innovative start-ups and scale-ups.

Size and structure of the financial sector

While the financial sector in Austria remains dominated by banks, non-bank financial intermediaries also play an important role. Amidst subdued loan demand, higher interest rates and weak economic activity, starting from 253% of GDP in 2020, the size of the banking sector gradually declined to just above 209% of GDP in 2024, below the EU average of 251%. The two largest banking groups (Erste Group Bank and Raiffeisen Bank International) have extensive activities in central, eastern and south-eastern Europe. The insurance and pension funds sectors, with total assets of around 27% of GDP and 6% of GDP at end-2024, play a lesser role in non-bank intermediation. By contrast, investment funds, though their total assets dropped by 10 percentage points to around 47% of GDP between 2021 and 2024, remain sizeable.

The Austrian economy features one of the comparatively smaller domestic capital markets in the EU. The market capitalisation of listed equity stood at 28% of GDP at the end of 2024 (see Graph A6.2), which is well below the EU average of 67% of GDP. 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 bn). NFCs accounted for around 63% 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 124.7% of GDP at end-2024, slightly below the EU average (at just below 140% of GDP). Bonds by the government and monetary financial institutions (MFIs) accounted for 56% and 35% of the total.

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO. End-2024.

In 2025, Austria's capital markets recorded strong growth in terms of capitalisation, listings and volumes traded. Capital markets in Austria have weathered the global geopolitical turmoil, the energy crisis and trade policy tensions well. In 2025, the Austrian Traded Index (ATX) increased by almost 50%, positioning 2025 as the third strongest trading year since 2012. The total market capitalisation of Austrian-listed companies on the Vienna Stock Exchange reached around EUR 177 billion (36% of GDP), supported by continued growth in both equity and debt segments. However, the use of bonds by SMEs is relatively moderate, as just 2% of SMEs indicated in the 2025 SAFE survey that debt securities issuance was relevant for them, compared to an EU average of 3%. This makes debt market finance a minor source of funding for Austrian SMEs.

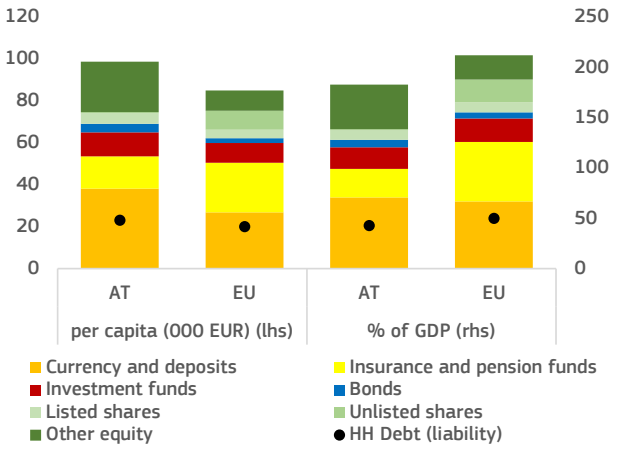
([185])See European Investment Bank's 2025 Investment Survey.

Households' participation in capital markets

The degree of direct retail investment in Austria's capital markets is low. Main residence ownership represents the most important asset in terms of volume for homeowners. Austrian households have financial portfolio profiles with very low risk. As of end-2024, aggregate household financial assets stood at 183% of GDP, below the EU average of 212%. Austrian households' investments in insurance and pension funds, relative to GDP, were only half as large as the EU average in 2024, underscoring the modest development of long-term savings instruments in Austria (see Graph A6.3). In addition, listed and unlisted share holdings were three times lower than the EU average (10.5% of GDP in Austria, compared with 32.7% of GDP in the EU). At the same time, Austrian households' other equity holdings (42.8% of GDP) and bonds (7.4% of GDP) were above the EU averages of 24.2% and 5.9% of GDP, respectively.

The comparatively strong saving rate of Austrian households (17.3% in 2024, above the EU average of 14.5%) and the high share of cash and deposits in household assets (38.7%) suggest there is some room to increase the level of direct or indirect retail investments. In Austria, interest from standard savings and current accounts is taxed at 25%, while most other investment income (dividends, interest on bonds, capital gains) is taxed at 27.5%. Developing a simple, standardised Savings and Investments Account (SIA) could add value by streamlining the tax treatment of retail investments and enhancing transparency and ease of use for households ([186]). Austria makes limited use of tax breaks for long-term investments or targeted tax relief for retail investments in domestic SMEs/start-ups.

Graph A6.3: **Composition of households' financial assets**



Source: Eurostat. End-2024.

Financial literacy in Austria is overall slightly above the EU average, but some challenges remain. Recent surveys ([187]) 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. The national financial literacy strategy for Austria was launched ([188]) in autumn 2021 and was included in Austria's recovery and resilience plan (RRP). Its four main policy priorities aim to develop sound financial decision-making and prevent over-indebtedness, promote responsible financial planning, ensure access to quality financial education and increase the effectiveness of financial literacy initiatives. For the implementation period 2021-2026, the strategy also includes two competence frameworks for better financial education.

The banking sector: resilience and financing of the economy

The banking sector is well-capitalised, shows good resilience to risks, and is not constrained in its role of funding the economy. The system-wide capital ratio stood at

([186])In line with EU Recommendation 2025/2029 on increasing the availability of savings and investment accounts with simplified and advantageous tax treatment.

([187])Monitoring the level of financial literacy in the EU, 2023.

([188])See A national financial literacy strategy for Austria.

21.8% in Q3-2025, slightly above the EU average (see Table A6.2). In the same period, the Austrian banking sector reported a consolidated Common Equity Tier 1 (CET1) ratio of 18.4%, above the EU average (of 16.8%) and more than double compared with levels recorded before the global financial crisis of 2008-2009, in line with tighter prudential requirements. MREL (Minimum Requirement for Own Funds and Eligible Liabilities) and the combined buffer requirement in addition to MREL, comfortably exceed all regulatory requirements ([189]). According to the 2025 EU-wide stress tests by the EBA and the ECB ([190]), the Austrian banks included fared slightly better than the EU aggregate, as they had a comparatively smaller negative impact under the adverse scenario. Banks' balance sheets deteriorated as a result of the prolonged economic downturn from late 2022 into 2024, but overall show robust asset quality. The aggregate non-performing loan (NPL) ratio stood at 2.4% in Q3-2025, slightly above the EU average of 1.9%. However, the banks' asset quality outlook is subject to increased uncertainty due to the current geopolitical conflicts and the impact on energy prices and economic growth.

Credit demand continued to show signs of recovery over the course of 2025. Increased affordability supported demand by households, especially in residential real estate loans. For NFCs, annual credit growth recovered to 2.4% in December 2025 (from 1.7% at the end of 2024) but remained markedly below the pre-2023 rates. Estimated insolvency liabilities have been increasing since the middle of 2023, accompanied by the comparatively limited number of business registrations. Fixed investment was still sluggish amid ongoing economic uncertainty, and insolvencies in the construction and real estate sectors weighed on banks' credit quality.

([189])See the European Banking Authority's MREL Dashboard – Q2 2025 and the Financial Market Authority's Information about the implementation of an external bail-in.

([190])For further details, see the results of the 2025 EU-wide stress test exercise, August 2025.

Role of non-bank financial intermediaries

Institutional investors in Austria have only limited funds and capacity to channel savings into investment and to support capital market development. Given the country's strong income growth in recent years and strong household saving rate, the financial industry has the potential to increase assets under management. However, the role of domestic institutional investors in deepening the capital market has so far remained limited. This is due to the heavy reliance on the state-run (pay-as-you-go) first pillar, which accounts for around 90% of pension financing. Other factors include a conservative investment culture, regulatory constraints, and market volatility in recent years.

In terms of total assets, the insurance sector in Austria is relatively small compared to EU peers, with life insurance remaining by far the smallest segment. The Austrian insurance market is traditionally dominated by composite insurance undertakings which, besides life insurance, also pursue activities in at least one other balance sheet group, i.e. health insurance or non-life and accident insurance. Similarly to the largest banking groups, the main Austrian insurance undertakings have an important international footprint. As of Q3-2025, total assets stood at 27% of GDP, which is lower than the EU average of 53.9%. As of Q3-2025, insurers' solvency ratio of almost 302% was above the EU average of 249%. In 2024, the profitability of Austrian insurance companies improved compared to the previous year. Index clauses widely embedded in insurance contracts led to higher premium income and mitigated claim cost inflation. In 2024, the sector-wide insurance premiums increased by 5.3% compared to the previous year, to EUR 21.4 billion. Austria is among the Member States with relatively contained insurance-protection gap for natural hazards ([191]).

The insurance sector in Austria holds a substantial part (almost 82%) of assets in debt securities, investment-fund shares and equity. The insurance sector is focused on non-

([191])See EIOPA's Dashboard on the insurance-protection gap for natural catastrophes.

life business whose liability structure overall disfavours asset allocation into equity and other long-term and high-yield assets. Insurance companies in Austria mainly invest in government and corporate bonds as their main assets (at 29.7% of total assets as of Q3-2025, compared to 36.2% for the euro area as a whole) ([192]), while investment-fund shares represent a slightly smaller portion of their portfolio (28.6%). 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. Austrian insurers hold a larger share of their assets (23.3%) in equity compared with EU peers (14.9% on average).

The growing fund management industry in Austria tends to invest less in equity than its EU peers. At the end of 2024, there were 14 investment-fund management companies and 62 alternative investment-fund managers in Austria, which have established a total of 887 undertakings for collective investment in transferable securities (UCITS) and 1 212 alternative investment funds (AIFs). This was an increase by 25 funds since the end of 2023. In 2024, Austrian investment-fund industry assets grew by around 8% to EUR 230.7 billion. At the end of 2024, of the assets invested in domestic and foreign investment funds offered in Austria, 37.8% were allocated to debt securities, 32.4% to investment-fund units and 22.9% to shares and other equity ([193]). In 2024, asset managers allocated about 61% of assets to equity and bond holdings, just below the euro area average.

Asset-backed funded pensions remain small and fail to deliver a significant long-term average real return. Austria's pension system is largely pay-as-you-go, with limited contribution to equity investment and the development of capital markets ([194]). The government funding gap of the pay-as-you-go public pension system has been steadily increasing. At the same time, Austria has one of the highest net replacement rates in OECD countries, which further increases the pressure on the pension system. Total pension assets amounted to only 7.2% of GDP in 2024 (vs 32.3% in the EU). The domestic private pension fund industry invests predominantly in bills and bonds, which account for around 28% of pension funds' total assets. Equities holdings stood at 25%, just below the EU average. Over the past 10 years the average real return generated by Austrian pension funds has been very low (-0.1% vs 1.4% in the EU), largely because of low equity exposure high inflation, strict capital guarantee requirements, short-term withdrawal rights and significant market volatility (particularly in 2022 and 2018). Incentives for long-term pension savings remain weak. Austria has no system of auto-enrolment ([195]). Despite the long-term demographic challenges, participation in both occupational and private pensions in Austria is low, suggesting scope for introducing a formal nationwide pension tracking system that consolidates all pension sources in one place for individuals and could increase awareness about pension entitlements. Work on such a tool was interrupted in 2021.

Venture capital ecosystem

The venture and growth capital market is not yet sufficiently developed to support financing of innovative firms. The number of start-ups in Austria remains high. A key barrier hindering firms' innovation performance is the shortage of venture and growth capital, including angel funding and formal VC (venture capital). The average value of annual private equity investment relative to nominal GDP went up to 0.3% in the period 2022-2024 from 0.12% in 2019-2021, but it is still well below the equivalent EU average (0.5%). For VC, investments declined to 0.03% of GDP in 2022-2024 ([196]), well below the EU average of 0.06% ([197]).

Recent surveys among entrepreneurs show that start-up funding in Austria remains difficult to obtain, notably as regards larger growth financing rounds. Acquiring capital

([192]) Assets and liabilities of insurances | ECB Data Portal.

([193]) Assets and liabilities of investment funds | ECB Data Portal.

([194]) See the Country profiles by the OECD and the Country fiches of the Ageing Report by the European Commission.

([195]) In line with the EU Recommendation 2025/2384 on pension tracking systems, pension dashboards and auto-enrolment.

([196]) See also Annex 4: "Innovation to Business" that uses InvestEurope data. The "Savings, Investment and Access to Finance" Annex uses CMU Dashboard data.

([197]) Commission staff working document: Monitoring progress towards a capital markets union: a toolkit of indicators.

Table A6.2: **Financial sector indicators**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	219.1	220.4	253.4	246.2	226.1	211.8	209.1	201.6	246.1
	Common equity Tier 1 ratio	15.4	15.6	16.1	16.0	16.5	17.6	17.9	18.4	16.8
	Total capital adequacy ratio	18.6	18.7	19.5	19.3	19.4	20.6	21.1	21.8	20.2
	Overall NPL ratio, % of all loans	2.6	2.2	2.0	1.8	1.8	2.2	2.4	2.4	1.9
	NPL ratio, loans to NFCs	3.6	3.1	3.1	2.9	2.8	3.6	4.5	4.3	3.5
	NPL ratio, loans to HHs	3.3	2.8	2.6	2.3	2.1	2.3	2.2	2.2	2.1
	Return on equity ratio[1]	8.6	7.8	4.1	6.4	9.7	11.6	9.4	9.0	9.6
	Loans to NFCs, % of GDP	39.9	41.2	44.6	45.4	44.7	43.0	42.3	41.1	29.3
	Loans to HHs, % of GDP	42.3	42.7	45.9	45.3	42.4	39.2	37.5	36.4	43.6
	NFC credit growth rate, %	7.1	6.1	4.9	8.4	9.0	2.7	1.7	2.2	2.5
	HH credit growth rate, %	3.6	4.3	3.6	5.0	3.5	-1.9	-0.9	0.9	2.6
Non-banking sector	Stock market capitalisation, % of GDP	29.6	31.9	31.9	39.7	28.9	30.0	28.3	33.6	69.9
	Initial public offerings, % of GDP	0.00	0.07	0.00	0.00	0.00	0.00	0.00	-	0.06
	Market funding ratio	34.0	32.7	34.4	32.3	29.5	29.3	29.5	-	49.7
	Private equity, % of GDP	0.147	0.157	0.142	0.121	0.143	0.234	0.255	-	0.487
	Venture capital, % of GDP	0.021	0.022	0.021	0.072	0.079	0.078	0.029	-	0.064
	Financial literacy, composite index	-	-	-	-	-	47.5	-	-	45.5
	Bonds, % of HHs' financial assets	4.5	4.1	3.5	2.9	2.6	3.4	4.0	-	2.8
	Listed shares, % of HHs' financial assets	3.4	3.9	4.1	4.9	4.6	5.0	5.1	-	4.8
	Investment funds, % of HHs' financial assets	8.7	9.6	9.6	10.8	10.3	10.9	11.7	-	11.0
	Insurance/pension funds, % of HHs' financial assets	19.9	20.5	19.5	18.1	15.7	15.7	15.5	-	27.8
	Total assets of insurers, % of GDP	34.8	35.0	37.1	35.8	28.4	27.6	27.0	27.0	53.9
	Pension assets, bn EUR	-	-	-	34.9	31.0	32.9	35.5	-	5813.8
	Pension assets, % of GDP	-	-	-	8.6	6.9	6.9	7.2	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	-0.1	-0.1	-	1.4
	Pension funds assets, ECB (% of GDP)	-	6.2	6.7	6.7	5.6	5.6	5.9	5.8	23.0
	1-3 / 4-10 / 11-17 / 18-24 / 25-27	Colours indicate performance ranking among the 27 EU Member States.								

(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.

Source: ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

remains among the three top challenges to start-ups ([198]). Debt-financing is difficult for young firms seeking to grow quickly, particularly for start-ups focusing on R&D and specialising in tech-intensive activities. In 2025, there was sharp decline in start-up funding in Austria ([199]), as total investment volume fell by approximately 56% to EUR 253 million, marking the fourth consecutive annual decline and the lowest level since 2019. The number of financing rounds in 2025 stood at 148, at a similar level to 2024, but the average financing volume fell to EUR 2.3 million per round, down from EUR 4.3 million in 2024 and EUR 11.6 million in the peak year 2021. The growth-stage segment was particularly affected. While early-stage and smaller follow-on investments are more stable, there is a growing shortage of larger growth financing rounds. This hampers the scaling and internationalisation of start-ups and scale-ups.

Limited VC financing is partly driven by very low participation of institutional investors, including pension funds. A 2024 paper showed that pension funds in Austria accounted on average for only 1% of PE (private equity) and VC funds raised annually over 2007-2023, a figure that falls substantially below the EU average of 15% ([200]). In December 2025, the authorities launched consultations on a draft bill to reform the Pension Funds Act (PKG) and the Insurance Supervision Act (VAG). The reform envisaged raising the limits for equity and alternative assets and lowering capital requirements for long-term equity investments. Further measures to address the low participation of institutional investors, including pension funds, could focus on more favourable taxation of both corporate income and capital gains and on streamlining taxation of carried interest.

Austria has taken measures to address the country-specific recommendations on providing better access to venture and growth capital. In June 2023, a new state-financed VC fund (Gründungsfonds II: Start-up 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 was intended to leverage private investments of up to EUR 500 million. However, this funding remained relatively small in scale, compared to EU peers. The government has announced the establishment of a new Start-up and Scale-up Dachfonds (fund-of-funds), which is expected to become operational by early 2027, with

([198])See the WKÖ Start Up Monitor.

([199])See the EY Start-up Barometer for 2025.

([200])Source: Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS.

anticipated public investments of up to EUR 100 million, with the goal to reach a total fund volume between EUR 300-500 million by attracting private institutional investment.

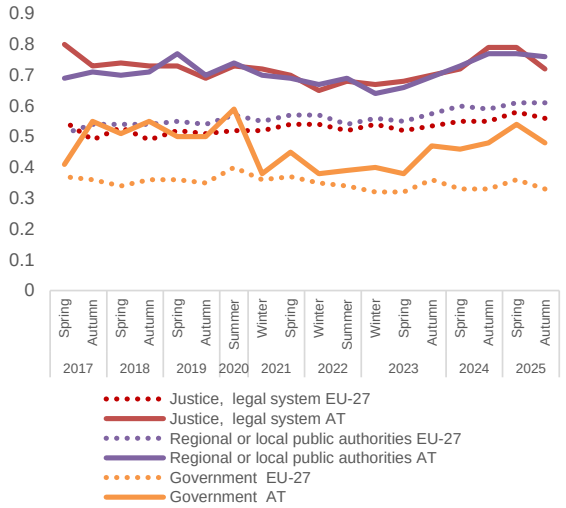
Austria's RRP also includes measures to support the financing of start-ups. Reform measures included recognising a new type of company for investments in company holdings in the form of an SICAV (*société d'investissement à capital variable*), a collective investment scheme that is already well established in other EU Member States. The scheme is intended to make fund shares 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 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 introduced a new legal form, tailored to start-ups and innovative SMEs.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, high-quality legislation, regulatory simplification and efficient services for people and businesses. The country-specific recommendations (CSRs) highlighted the need to 'simplify regulation and reduce administrative burden on companies' (2025), and 'to simplify and rationalise fiscal relationships and responsibilities across layers of government and ensure financing and spending responsibilities are clearly aligned' (2024).

To address the 2025 CSRs, in December 2025, the Austrian government adopted a comprehensive de-bureaucratisation package ([201]) containing 113 measures covering federal, state and municipal constituencies. The package was aimed at people, business (see Annex 5) and administration. As it stands, there is no dedicated implementation plan.

Public trust

Graph A7.1: **Trust in the justice system, regional / local authorities and in governments**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer survey.

Public trust in institutions in Austria is above the EU average. In 2025, trust is highest (76%) in regional and local authorities, followed by trust in the justice and legal system (72%). Trust in central government (48%) increased from a 2023 low until spring 2025 (see Graph A7.1). Both businesses (78%) and the public (80%) retain confidence in the ability of public administration to handle their data securely and responsibly ([202]).

Quality of lawmaking and implementation

Austria has a comprehensive regulatory quality system, assessing a broad range of impacts. Regulatory impact assessments (RIAs) are mandatory for all primary laws and secondary regulations. A threshold test determines whether a simplified or full RIA is required. This applies to approximately two thirds of cases, enabling proportionate analysis while maintaining oversight by the Federal Chancellery. Checks include environmental, social, gender equality, digital readiness and AI impact. Costs for people, business and the public sector are also covered by the checks. In 2025 Austria adopted an RRF reform introducing a mandatory 'climate check' for new legislative proposals. Impact checks on competitiveness and regions are carried out only for certain types of proposal. Austria does not systematically use either tools for effective policy implementation (for example, for assessing potential enforcement mechanisms) or procedures for measuring progress (see Table A7.1). Assessment of compliance, sector reviews for recasting and consolidation of regulation are rare([203]).

Transparency of the legislative process is good, but stakeholder involvement in legal drafting is inconsistent. All draft primary laws, their RIAs and accompanying information are published on the Parliament website ([204]) where the public can submit comments. However, stakeholder involvement and RIAs encompass only those initiated by the executive, which accounts for just 37% of all primary laws. The scope and

([201])Bunderskanzleramt, Bundesregierung: Entbürokratisierungspaket macht den Staat einfacher - Bundeskanzleramt Österreich.

([202])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([203])OECD, 2025, Better Regulation Practices across the European Union 2025, https://doi.org/10.1787/6f007516-en.

([204])Parlament Österreich, Beteiligen | Parlament Österreich.

Table A7.1: **Austria. Selected indicators on better regulation practices for primary legislation**

Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

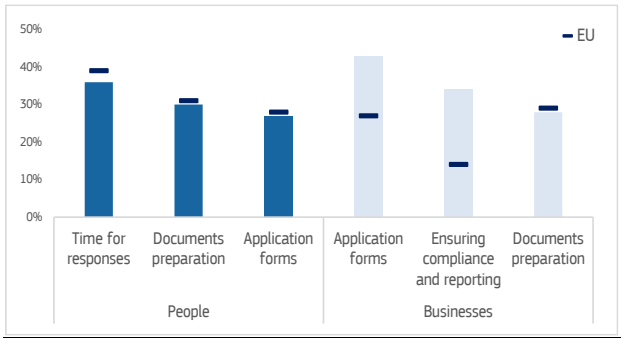
Source: OECD, 2025, Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025.

quality control of public consultations to subordinate regulations is limited, especially at the level of *Länder* (the nine provinces of Austria).

Institutional, regulatory and process fragmentation continues to hamper efficient industrial permitting. Delays often accumulate, due to a combination of i) nine separate building codes, ii) strong third-party participation rights, iii) fragmented municipal capacity, and iv) sequential EIA and permit processes. While there were process improvements for large scale projects (AVG of 2023([205]), if Austria is to meet its two-year target under Renewable Energy Directive III (see Annex 5) in terms of permitting efficiency, institutional reform and systematic use of international good practice standards would be beneficial([206]) .

Public service delivery and digitalisation

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Satisfaction with public administration services in Austria is high and digitalisation has had a positive impact. Public perception of administration as complex and burdensome decreased by 10 percentage-points between 2023 and 2025. 73% of businesses and 72% of members of the public reported that digital public services saved them time and effort. At the same time, 25% of businesses had not detected any

([205]) Applications and goals - Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management.

([206]) including: risk-based tiering with a light or notification-only track for simple projects; single-window coordination across agencies; clear statutory deadlines with tacit approval or financial penalty provisions, if deadlines are missed; strong digital case management; and a shift of some technical compliance verification to accredited private professionals rather than overloaded public authorities.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Austria			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	78	81	81	82
Digital public services for businesses (0 to 100)	83	83	88	86
Access to electronic health records (0 to 100)	88	88	87	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data was collected in the previous year
Source: European Commission, State of the Digital Decade report 2025

benefits from digital public services. 10% of people had never used digital public service ([207]).

The availability of digital public services to people remained at the EU average and for business the rate exceeded the EU average (Table A7.2). The availability of electronic health records has fallen slightly but remains above EU average. As of December 2025, Austria had more than 4.8 million eID Austria registrations, more than 10 million monthly eID logins and more than 500 applications that can be accessed with eID ([208]). The ID Austria system provides seamless single sign-in across services, and the country has implemented sophisticated features such as electronic mandates and the *ID Austria* mobile app.

Austria has pioneered 'no-stop shop' approaches, including automatic employee tax assessments that eliminate the need for people to file. The Digital Austria platform integrates digitalisation efforts across sectors and administrative entities, benefiting people, business and administration. However, in practice, many daily services, especially at municipal level, are still paper-based or only partly digitalised.

Austria has enabled data and documents between authorities through the EU once-only technical system (OOTS)([209]). As once only-enabled services([210]) become accessible, people and businesses will no longer have to search for their data or download and upload documents manually across e-government portals in different Member States. The Austrian authorities have yet to identify the types of documents and data they need to exchange through the system and explore ways to shift from the submission of unstructured to structured data formats. Austria has authority registries connected in the areas of population, business and vehicles. Several authorities remain unconnected to the OOTS, thereby limiting cross-border exchanges and cooperation on related EU-wide projects.

Civil service

Austria's civil service has a long-standing reputation for professionalism and is investing in developing digital capability. All new recruits undergo comprehensive initial training, building on their previous qualifications. The federal civil service is currently training 1453 apprentices, making it one of the largest providers of apprenticeship training in the country. The Austrian School of Government (ASG) has proposed three main pillars of civil-service training: leadership, digital transformation [operating a digital-minded service] and better regulation. At the same time, building leadership skills to underpin the digital transformation of government remains a challenge.

Civil service fragmentation across territorial entities limits mobility and agility. Due to decentralised, dispersed responsibilities, there is no standardised or centrally defined skills profile in place for top civil servants. The current rigid employment law undermines the creation of a consistent civil-service regulation covering the

([207])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([208])Bunderskanzleramt, https://www.bundeskanzleramt.gv.at/bundeskanzleramt/nachrichten-der-bundesregierung/2025/12/id-austria-servicetour-zeigt-erfolg.html.

([209])European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

([210])Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU.

federal, state and municipality levels ([211]). There is consequently a low level of career mobility between government institutions, thus reducing opportunities for Austria to i) develop a more agile state and ii) allocate resources to emerging needs.

Staff numbers and salaries in the Austrian civil service have continued to grow at federal, state and municipal level ([212]). However, a downturn is expected due to budgetary constraints. Recent reform proposals at federal and state level include a consolidation of employment in the civil service by cancelling posts after people retire and promoting digitalisation and the use of AI ([213]). Without functional reviews accompanying this process, there is a risk of creating shortfalls in capacity and service quality.

The new government priorities cover broad measures to make the civil service more efficient, effective, attractive and forward looking. The 'reform partnership' working group on administrative and constitutional streamlining ([214]) is developing measures to speed up administrative and licensing processes ([215]). This involves i) aligning digital infrastructure and interoperability to improve federal cooperation, ii) promoting digitalisation, including digital ID, and iii) automating processes.

Austria's federal system contributes to institutional complexity, capacity and budgetary challenges. The division of responsibilities between federal, state and local government leads to a large number of regulatory arrangements. This in turn hinders efficiency and presents barriers to reform in crucial sectors such as education and health (see Annexes 13 and 15). Agility and merit-based management are hampered by a lack of budgetary autonomy at subnational levels, by widespread politicisation and rigid employment frameworks.

The municipal landscape is particularly fragmented, with many municipalities too small to provide services efficiently. In response, cooperation between municipal services has grown steadily. However, most of the 1969 municipal service associations are small and for a single purpose. This fragmented approach to cooperation contributes further to systemic complexity, limiting scaling opportunities for more strategic, systematic and regional bundling of administrative, economic, social and environmental services (see Annex 18).

Municipal efficiency is further hampered by a lack of interoperability and a lack of shared digital platforms for common municipal functions. Such platforms would enable municipal digital systems to exchange data with each other, the *Länder* and federal systems seamlessly, thereby facilitating cooperation for improving policy decisions and services.

Integrity

Although the perception of corruption when doing business in Austria remains around the EU average, the reported level of corruption actually experienced is above the EU average. Overall, such perceptions are below the EU average: 55% of companies perceive corruption to be widespread (EU: 63%) and 67% feel that overly close links between business and politics lead to corruption (EU: 76%).Only 22% of businesses see corruption as a problem when doing business (EU: 35%) ([216]), indicating comparatively limited perceived impact on their operations. Sectors particularly vulnerable to corruption in Austria relate to i) the links between some media outlets and the political sphere, especially regarding state advertising, and ii) the zoning and urban planning sector, especially at local level([217]) (see also Annex 5). Overall, companies report a higher incidence of requests for gifts, favours or extra payments in connection with permits, services or procurement than the EU average (Austria 8%; EU 10%). At the same time, a

([211])Weichselbaum, B., 2025, The Civil Service in Austria | 7 | Tradition, Reforms, and the Impact.

([212])Bundesministerium Finanzen, 2025, Personal des Bundes 2025/2026.

([213])ORF.at, 2025, Regierung will bei Verwaltungs-Personal sparen.

([214])Bunderskanzleramt, 2025, Reformpartnerschaft Österreich: Gruppe "Verfassungs- und Verwaltungsbereinigung" präsentierte erste Ergebnisse.

([215])Bunderskanzleramt, 2025, Bundesregierung: Entbürokratisierungspaket macht den Staat einfacher.

([216])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

([217])European Commission, 2025, Rule of Law Report, p.13.

larger proportion consider that bribery of senior officials is appropriately sanctioned (Austria 40%; EU 33%) ([218]), which suggests that despite greater reported exposure to solicitation there is at least a perception of strong enforcement.

Austria has taken limited action to strengthen the prevention and detection of corruption. There has been some progress in introducing rules on disclosure of assets and interests for Members of Parliament, whereas no progress has been made to strengthen the lobbying framework. The overall post-employment framework also remains limited. Web-based reporting channels for whistleblowers are running smoothly, according to reports. By the end of 2024, 147 reports had been received by the Federal Anti-Corruption Bureau ([219]).

Austria has taken measures to improve the prosecution of corruption. There are ongoing investigations into high-level corruption cases. However, prosecutors often experience intense public scrutiny. In 2024, 83 potential corruption cases and 796 cases of abuse of official authority were detected, yet no case led to indictment, 10 cases were discontinued and there was not a single conviction. Despite efforts to streamline prosecutors' reporting requirements, anti-corruption cases still entail substantial reporting obligations, placing an additional burden on already limited resources for the prosecution service to use. Moreover, there was limited progress in following up on the political commitment to strengthen the independence of the prosecution service through reform, including ensuring the independence of the specialist anti-corruption prosecution service ([220]).

Justice

The justice system continues to operate efficiently overall. The time taken to reach a decision in civil and commercial cases in first-instance courts fell from 141 days in 2023 to 132 days in 2024. The estimated time to resolve administrative cases in first-instance courts increased (327 days in 2024, up from 313 days in 2023). The quality of the justice system remains high overall.

Austria is very advanced in terms of the digitalisation of its justice system and is actively participating in EU-funded digitalisation projects for justice. The country lags behind in digital solutions to initiate and follow proceedings in civil/commercial and administrative cases, and in online access for the general public to published judgments. At the same time, it performs well regarding arrangements for producing machine-readable judicial decisions.

([218])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

([219])https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/upholding-rule-law/rule-law/annual-rule-law-cycle/2025-rule-law-report_en.

([220])https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/upholding-rule-law/rule-law/annual-rule-law-cycle/2025-rule-law-report_en.

Austria is making progress on decarbonising energy-intensive industry, transitioning to a circular economy and reducing road transport emissions and air and water pollutants, but significant challenges remain. Austria is taking steps to decarbonise energy-intensive industries through targeted funding, evolving policies, and industrial projects, though many measures have yet to be implemented. Deeper emission reductions will require continued investment in enabling infrastructure and technologies. In transport, reductions from road freight have been largely driven by economic conditions, while passenger transport has yet to achieve a comprehensive mobility transition. Austria's circular economy strategy is marked by a contrast between high recycling rates and persistent waste generation challenges. As a leader in waste management within the EU, Austria has implemented initiatives such as a uniform packaging collection system and a deposit-refund scheme, with the aim of further boosting its recycling efforts. Austria is making notable progress in reducing air and water pollutants, yet significant challenges remain.

Industry decarbonisation

Greenhouse gas emissions from industry

About a third of Austria's greenhouse gas (GHG) emissions come from manufacturing, which is fairly emission intensive but has seen improvements lately ([221]). In 2024, the manufacturing sector in Austria emitted 314 g CO_2eq of greenhouse gases per euro of gross value added ([222]). Since 2019, emission intensity in Austrian industry has fallen by 12%. At 61% in 2023, the share of GHG emissions from industry processes and product use is the fourth highest in the EU.

Austria's industrial GHG emissions are dominated by a few high-emitting point sources ([223]). The iron and steel sector accounts for 57% of total industrial emissions, the primary contributors being voestalpine's sites in Linz (43%) and Donawitz (13%). OMV's Schwechat refinery generates 13% of the industrial total. These three locations account for the vast majority of emissions. The remainder stems from the production of cement clinker (10%), lime (6%), paper (4%), pulp (1%) and ammonia (4%).

Policies to promote industry decarbonisation

Austria is taking some steps to address the 2025 recommendation to 'further reduce emissions [...] by advancing industrial decarbonisation'. This includes targeted funding to complement carbon pricing under the EU emissions trading system, evolving policy frameworks and industrial projects. However, significant challenges remain.

The Transformation of Industry programme funds large-scale decarbonisation projects ([224]). Set up under the Environmental Support Act, it has a budget of EUR 2.73 billion through to 2030 and an estimated annual allocation of EUR 400 million. The programme provides aid via competitive tenders through two mechanisms: (i) 'investment grants', which cover capital expenditure for facilities reducing GHG emissions through energy efficiency or the transition to renewables; and (ii) 'transformation grants', which offset the cost differential between fossil fuels and renewable alternatives by covering

([221])This Annex discusses the transition of Austria's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Austria's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Austria, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([222])Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

([223])European Commission, 2026, Union Registry Public Website.

([224])Federal Ministry of Economy, Energy and Tourism, 2026, Transformation der Industrie.

both capital and operational costs for up to 10 years. To date, 14 projects have been recommended for investment grants, while 2025 marked the first call for proposals for operating expenditure support. Notable projects include the transition to green electricity-powered electric arc furnaces at voestalpine's Linz and Donawitz sites and the Hy4Smelt demonstration plant for hydrogen-based direct reduction. Beyond iron and steel, the programme has also funded projects across other sectors, including the cement clinker and lime, paper and pulp, nitric acid, and aluminium sectors.

The Climate and Energy Fund (KLI.EN), a state-owned entity set up in 2007 ([225]), operates at the intersection of research and broad implementation of technologies. Through its RTI (research, technology and innovation) initiative for the transformation of industry, the fund seeks to strengthen the competitiveness of Austrian enterprises and research institutions within international net-zero technology value chains. It facilitates the transition from research to market by funding demonstration projects, develops applied R&D infrastructure and establishes qualification networks for workforce upskilling ([226]). The most recent call for proposals, concluded in April 2026, allocated a budget of up to EUR 60 million to those objectives ([227]). Notable projects running from 2025 until 2028 include the development of high-temperature heat pumps for industrial heat ([228]), the use of digital twins to reduce gas consumption in paper impregnation ([229]) and the strategic planning of supra-regional highways to recover industrial waste heat ([230]).

Austria's 2035 industrial strategy aims to secure competitiveness through a socially just and ecological transformation ([231]). Unveiled in January 2026, it covers various issues, such as investment, energy and lead markets, and prioritises nine key technologies, including energy and environmental technologies. The strategy aims to ensure affordable and secure energy for industry and includes measures such as reducing the electricity tax and promoting a more efficiently coordinated grid expansion to optimise production, storage and consumption. Additionally, it envisages a legal framework for geothermal energy to provide predictable low-to-medium temperature heat for industrial sites. For hydrogen, the strategy provides for a start-up network using repurposed pipelines, alongside new projects such as the H2 Backbone WAG+Penta-West project. The aim is to create a fully hydrogen-ready infrastructure connecting clusters and storage sites by 2035, supported by a clear regulatory package in the Gas Act. This builds on Austria's hydrogen strategy, which aims to build 1 GW of electrolysis capacity by 2030 (up from just 35.2 MW as of April 2026), and the Hydrogen Support Act, which provides for EUR 820 million in funding between 2024 and 2026. As regards carbon capture and storage, the 2035 industrial strategy signals a policy shift by ending the ban on geological CO_2 storage, which would implement a central pillar of the carbon management strategy.

While energy-intensive industries continue to face challenges, recent projects demonstrate tangible steps towards decarbonisation. As part of its network development plan, Austrian Power Grid (APG) is expanding electricity grids (see Annex 9), which is essential for the energy transition of the iron and steel sector. In Upper Austria, EUR 800 million has been invested in replacing the legacy 110 kV network with a robust 220 kV supply ring ([232]), while a parallel EUR 118 million expansion is under way in Styria ([233]). These upgrades, scheduled for completion by late 2026, are necessary for voestalpine to begin production at its new electric arc furnaces in Linz and Donawitz in 2027. Other notable initiatives include: C2PAT+, which aims to capture CO_2 emissions from Holcim's Mannersdorf cement plant ([234]); OMV's 140 MW electrolysis facility for green hydrogen production at the

([225])Bundeskanzleramt Österreich, 2007, 40. Bundesgesetz über die Errichtung des Klima- und Energiefonds – (KLI.EN-FondsG).

([226])Klima- und Energiefonds, 2025, Unsere Förderungen.

([227])Klima- und Energiefonds, 2025, FTI-Initiative für die Transformation der Industrie 2025.

([228])Klima- und Energiefonds, 2024, HIPI.

([229])Klima- und Energiefonds, 2024, ImpreDry.

([230])Klima- und Energiefonds, 2024, Future Heat Highway.

([231])Federal Ministry of Economy, Energy and Tourism, Industriestrategie Österreich 2035.

([232])APG, 2025, Sichere Stromversorgung im Zentralraum OÖ auf Kurs.

([233])APG, 2025, Construction Project 'New Leoben Connection' on Schedule.

([234])Holcim, 2025, Mit C2PAT+ zur Klimaneutralität.

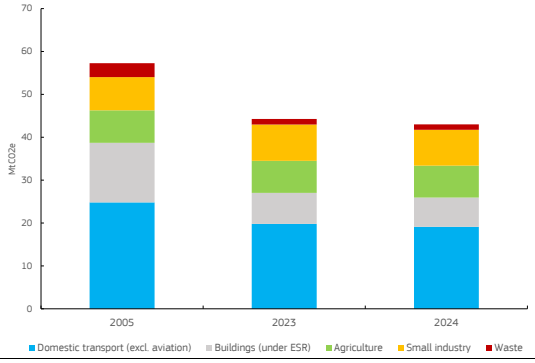
Schwechat refinery currently under construction ([235]); and Sappi's RRP-funded BioFit project, which converts boilers at the Gratkorn paper mill to renewable biomass. Although these projects represent significant progress across sectors, they remain individual steps in a broader transition that will require continued investment in enabling infrastructure and technologies.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

Austria's effort sharing emissions are projected to be above its target in 2030; unused emission allocations from previous years would not suffice to cover the gap for compliance with the Effort Sharing Regulation. In 2024, GHG emissions from Austria's effort sharing sectors are expected to have been 24.6% below those of 2005. By 2030, current and planned policies and measures are expected to lead to a 40% decrease, leaving a gap of 8 percentage points to the 2030 target of −48%. Austria could bridge part of this gap with own unused annual emission allocations from previous years but would also need transfers of allocations from other Member States to comply with the Effort Sharing Regulation. The timely implementation of its additional measures and identification of new ones will remain crucial for Austria to progress towards climate neutrality ([236]).

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Road transport remains the largest source of Austria's effort sharing emissions and the second-largest source of GHG emissions overall after industry ([237]). Diesel cars account for around two fifths of these emissions, with heavy-duty vehicles and petrol cars each contributing roughly one quarter ([238]). Road transport emissions peaked in 2005 and remained high until a pandemic-driven drop in 2020. After a brief rebound in 2021, emissions have continued to fall, driven by a protracted recession and ongoing policy measures, although the rate of decrease is gradually slowing.

Sustainable transport

Austria is taking limited steps to address the 2025 recommendation to 'further reduce emissions […] in the transport sector'. Reductions from road freight have been largely driven by the recession, while passenger transport has yet to achieve a comprehensive mobility transition, despite growth in public and rail transport and progress in e-mobility.

Weakening economic conditions, particularly in manufacturing and construction, have led to reduced road freight transport, contributing to lower emissions from heavy-duty vehicles. In 2024, freight volumes fell by 1.1% from the previous year's already low level ([239]), while heavy-duty vehicle mileage and

([235])OMV, 2025, Green Hydrogen – A sustainable alternative to fossil hydrogen.

([236])The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (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). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Austria's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

([237])See Graph A8.1, and Table A8.1 at the end of this Annex.

([238])Umweltbundesamt, 2025, Detailbericht zur Nahzeitprognose der österreichischen Treibhausgas-Emissionen des Verkehrs 2024.

([239])Statistik Austria, 2025, Straßengüterverkehr österreichischer Unternehmen.

overall road freight performance fell by 1.4% ([240]) and 1.3% ([241]), respectively. Between 2020 and 2023, heavy-duty vehicle emissions dropped by 33.8% ([242]), accounting for over two thirds of the total reduction in road transport emissions.

Alongside the economic downturn, several policy measures have contributed to the recent drop in heavy-duty vehicle emissions ([243]). These measures include targeted funding programmes for emission-free buses ([244]) and heavy-duty vehicles ([245]), as well as the National Emissions Certificate Trading Act, which requires fuel distributors to purchase CO_2 certificates for fossil fuels. This act has narrowed the price gap with neighbouring countries, thereby reducing the incentive for 'fuel tourism' and leading to a reduction in fuel exports. Further reductions in heavy-duty vehicle emissions could be achieved by the 75% infrastructure toll discount for zero-emission heavy-duty vehicles ([246]), which has been extended to 2030, and by removing legal and contractual restrictions along the high-ranking road network to enable the expansion of high-power charging infrastructure. This is supported by ASFINAG's ongoing concession programme to equip all its around 60 rest areas with charging stations by 2030, with minimum requirements including multiple fast chargers for passenger cars per site, as well as megawatt charging and overnight charging options for heavy-duty vehicles ([247]).

Motorised individual transport remains Austria's dominant mode of passenger travel, with only gradual reductions in car emissions, despite growth in public and rail transport ([248]). Passenger transport performance has increased, with over half of the increase since 2019 driven by buses, electrified public transport and railways. The growth in rail travel was primarily driven by a wider and more attractive range of services, such as the KlimaTicket. A key milestone was the opening of the Koralm Railway in December 2025. It has substantially reduced travel times between Graz and Klagenfurt to 41 minutes and was constructed with support from the Recovery and Resilience Facility. Nevertheless, motorised individual transport still accounts for two thirds of all passenger transport. As a result, emissions from passenger cars have fallen only slowly. Between 2020 and 2023, passenger car emissions fell by 10.8%, contributing only one third of the total reduction in road transport emissions, despite the fact that cars emit 2.5 times more than heavy-duty vehicles and buses ([249]). Reductions were mainly driven by diesel cars, while petrol emissions increased slightly as a result of shifts within the internal combustion engine fleet ([250]).

Austria is seeing progress in e-mobility, but this has yet to translate into a comprehensive mobility transition for the national fleet ([251]). In 2025, new registrations of battery electric vehicles (BEVs) increased by 35.9% compared with the previous year. BEVs accounted for 21.3% of total new vehicle registrations, placing Austria above the EU average, while remaining below the levels seen in leading Member States. Hybrid cars accounted for 39.3% and conventional internal combustion engines accounted for the remainder, with petrol at 27.9% and diesel at 11.6%. Progress has been made in expanding charging infrastructure. As of late 2025, total power output surpassed the EU's fleet-based targets under the Alternative Fuels Infrastructure Regulation by a factor of 3.4 ([252]). This development was facilitated by various funding

([240])ASFINAG, 2025, Geschäftsbericht 2024.

([241])Umweltbundesamt, 2025, Detailbericht zur Nahzeitprognose der österreichischen Treibhausgas-Emissionen des Verkehrs 2024.

([242])European Environment Agency, EEA greenhouse gases – data viewer.

([243])Umweltbundesamt, 2025, Detailbericht zur Nahzeitprognose der österreichischen Treibhausgas-Emissionen des Verkehrs 2024.

([244])FFG, 2025, EBIN.

([245])FFG, 2025, ENIN.

([246])ASFINAG, 2026, GO toll for trucks, buses and heavy motorhomes.

([247])ASFINAG, 2025, ASFINAG schreibt Konzession für Planung, Errichtung und Betrieb von E-Ladeinfrastruktur aus.

([248])Umweltbundesamt, 2025, Detailbericht zur Nahzeitprognose der österreichischen Treibhausgas-Emissionen des Verkehrs 2024.

([249])European Environment Agency, EEA greenhouse gases – data viewer.

([250])Umweltbundesamt, 2025, Detailbericht zur Nahzeitprognose der österreichischen Treibhausgas-Emissionen des Verkehrs 2024.

([251])Statistik Austria, 2025, Kfz-Neuzulassungen.

([252])European Commission, 2026, European Alternative Fuels Observatory.

programmes, including the 'E-Mobilitätsoffensive' ([253]), which helped establish an initial market through purchase incentives and infrastructure funding. The programme has been supplemented by specialised funding initiatives, such as LADIN for fast-charging infrastructure in underserved areas ([254]). However, deployment of dedicated charging infrastructure for heavy-duty vehicles is still in the very early stages. The 'eMove Austria' programme ([255]), launched in July 2025 with funding of EUR 480 million for 2025 and 2026, is Austria's new umbrella programme for sustainable transport. It shifts the policy focus from initial market creation to the systemic integration of vehicles into a renewable energy grid. Simultaneously, Austria has phased out key tax incentives for e-mobility. For example, it has abolished the engine-related insurance tax exemption, adding around EUR 500 per year in costs ([256]), and the car registration tax (NoVA) for all N1 vehicles, removing a previous tax advantage for zero-emission models that typically amounted to several thousand euro. These policy shifts coincide with a national vehicle fleet that remains dominated by diesel (48%) and petrol (41.8%), while BEVs (3.8%) represent only a small minority ([257]).

Sustainable industry

Circular economy industry

Austria's circular economy strategy provides an ambitious road map, but high recycling rates are masking consistently high waste generation. One of the targets set in the national circular economy strategy adopted in 2022 is to reduce Austria's material footprint (raw material consumption) to 7 tonnes per capita per year by 2050, increasing the resource productivity rate by 50% by 2030 and thus reducing waste. It needs to be pointed out that Austria currently produces more waste than any other EU country, generating 782 kg of municipal waste per capita in 2023 ([258]).

Austria ranks among the EU leaders for recycling rates, with 62.8% of municipal waste being recycled (EU average: 48%) and 91% of construction and demolition waste being recovered ([259]) (EU average: 89%). However, with regard to recycling of plastic packaging, Austria is well below the EU average, at approximately 26.9% in 2023, compared with 42% in the EU as a whole ([260]). Progress would need to be stepped up to meet the 2030 recycling target (55%). On 1 January 2025, Austria launched a uniform plastic and metal packaging collection system and a deposit-refund system, with a bottle deposit of EUR 0.25 on plastic and metal beverage packaging, funded through Austria's recovery and resilience plan. First estimates show that, since the introduction of the new system, the collection rate has already reached 81.5%, but the real impact on the recycling rate of all plastic waste is not yet known.

Per capita material consumption has decreased over the past five years by 17.85% ([261]), which has been paralleled by an increase of 35% in resource productivity from 2019 to 2024 ([262]). In addition, the secondary material use rate grew from 11.2% to 15.2% over the past 10 years, putting Austria above the EU average of 12.2% ([263]). Nevertheless, there is still a need for action to achieve the goal set in the Austrian circular economy strategy, namely increasing the circular material use rate to 18% by 2030.

Austria's fiscal tools for circular practices support revenue and waste reduction. Total environmental tax revenue corresponds to the EU average (2% of GDP in 2023) ([264]). Of that

([253])Klima- und Energiefonds, 2024, E-Mobilität für Private.

([254])FFG, 2025, LADIN.

([255])Federal Ministry of Innovation, Mobility and Infrastructure, 2025, eMove Austria: Mehr bewegen, weniger emittieren.

([256])WKO, 2025, Motorbezogene Versicherungssteuer für E-Autos ab 1.4.2025.

([257])Statistik Austria, 2025, Kfz-Bestand.

([258])Eurostat, Municipal waste, Link.

([259])*Techno-economic and environmental assessment of construction and demolition waste management in the European Union*, JRC, 2024. Link.

([260])Eurostat, Plastic packaging recycling rate, Link.

([261])Eurostat, Material footprints, Link.

([262])Eurostat, Resource productivity, Link.

([263])Eurostat, circular material use rate, Link.

([264])European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the

amount, revenues from energy and transport taxes constituted around 60.9% and 38.3%, respectively, of total environmental tax revenue. Revenues from pollution and resource taxes amounted to only around 0.63% and 0.21%, respectively ([265]). In recent years, Austria has made limited progress in expanding its environmental tax base. While the overall environmental tax revenue has increased in absolute terms, its share relative to GDP and total tax revenue has decreased for all except resource taxes. However, Austria mostly uses charges rather than taxes to counteract pollution and negative environmental consequences. These include charges for water, wastewater, waste, and waste transportation. As a result, ecologically relevant charges make up a significantly higher revenue share than environmental 'taxes'.

Austria does well in waste management. It reports limited landfilling of municipal waste as compared with the EU as a whole, where 22% of the municipal waste generated is landfilled (2023). Austria has a landfill and incineration tax in place. The pay-as-you-throw principle is applied across the whole country. In Austria, the landfill rate decreased from 3% in 2010 to 2% in 2023. Since 2010, the incineration rate has fluctuated around 35% ([266]). Residues from incineration and co-incineration are exempt from the landfill tax ([267]).

Austria's total investment needs to achieve its circular economy objectives amount to EUR 6.5 billion per year ([268]).

Bioeconomy industry

Austria's bio-based economy plays an important role in the country's overall decarbonisation. Austria's food and beverage market is leveraging the EU's highest share of organic farming to create value from agricultural side streams, while its textile sector is expanding by using high-tech cellulose-based fibres to replace synthetics. All these efforts are in line with the Austrian bioeconomy strategy's ([269]) goal of achieving the national climate targets. Reflecting this momentum, bioeconomy value added has grown slightly more than domestic GDP in recent years, driven in particular by the food and beverages and wood products and furniture subsectors ([270]). The food and beverages subsector registered the highest growth in value added (5.9% on average between 2018 and 2023) ([271]). While overall employment levels in the bioeconomy have fallen slightly, the bio-based chemicals and plastics subsector registered the highest growth in total employment between 2018 and 2023 (3.2%) ([272])([273]).

Labour productivity of the bioeconomy – measured as the value added per person employed over the national average - improved to 80.7% in 2023 from 74.7% in 2018 ([274])

Research and development (R&D) business expenditures from the bioeconomy sub-sectors have grown slightly more than the overall R&D business expenditure in Austria (5.2% compared to 4.1% on average between 2018 and 2023) ([275])

Zero-pollution industry

Over the past decade, Austria has made continuous progress in reducing key air pollutants through cleaner energy production, tighter vehicle emission standards and improvements in industrial technology.

European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([265])European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([266])Eurostat, Municipal waste by waste management operations, Link.

([267])EEA, Early warning assessment related to the 2025 targets for municipal waste and packaging waste (2025), Link.

([268])European Commission, Environmental Implementation Review (2025), Austria country report, Link.

([269])Bioökonomie-Strategie Österreich, 2019, Link.

([270])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([271])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([272])Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([273])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([274])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([275])Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, Link.

Accordingly, Austria reduced emissions of air pollutants (NOx, NMVOC, PM10 and SOx) by 7% in terms of kg per capita in 2023 ([276]) and full compliance has been ensured for all limit values and target values, with the exception of ozone. Despite this progress, Austria continues to grapple with air pollution costs. In 2022, multiple air quality zones exceeded the ozone target, and annual damage costs are estimated at EUR 13 million per year for ozone alone ([277]). While the other main air pollutants (ammonia, NMVOC, sulphur dioxides, NOx and PM2.5) are estimated to create annual costs of more than EUR 7 billion ([278]). This underscores the need for further action, particularly in industrial regions and urban transport corridors. Furthermore, no new taxes on major air pollutants such as NOx, SO_2 or particulate matter have been implemented in the same period ([279]). Introducing a pollution tax system could reduce these pollutants by 7-30%, depending on the tax rate, while generating up to EUR 10 million in revenue by 2030 ([280]).

Water pollution from industry also remains a critical challenge. Positive developments for water pollution in Austria include a 33% reduction in industrial heavy metal releases (cadmium, mercury, nickel and lead) and a 14% drop in total organic carbon emissions to water since 2010, as reported under the Industrial Emissions Directive ([281]). However, 100% of Austria's surface water bodies are still failing to achieve good chemical status due to the presence of ubiquitous, persistent, bio-accumulative and toxic substances (uPBTs) ([282]) that result from past industrial activities. Water pollution by industry imposes direct and indirect costs of EUR 168 million annually ([283]), not yet sufficiently borne by the polluters.

The total economic cost of industrial pollution in Austria is more than EUR 4 billion per year – encompassing healthcare expenses, lost productivity, and environmental degradation ([284])([285]). Yet, investment still falls short. To meet national and EU targets for pollution prevention and control, Austria would need to spend an additional EUR 855 million per year (0.19% of GDP), mostly in relation to clean air and noise ([286]).

([276])Eurostat, Air emissions accounts, Link.

([277])European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025), Link. The damage cost is calculated in terms of value of a life-year (VOLY).

([278])European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay, 2021, Link.

([279])European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([280])European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([281])EEA, Water pollutant releases changes from 2010 to 2022 for the EU Member States, 2024, Link.

([282])European Commission. Third River Basin Management Plans Second Flood Hazard and Risk Maps and Second Flood Risk Management Plans Member State: Austria, 02/2025, Link.

([283])European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay, 2021, Link.

([284])European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([285])EEA, The costs to health and the environment from industrial air pollution in Europe – 2024 update, 2024, Link. The costs reported are calculated in terms of value of a statistical life (VSL).

([286])European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025), Link.

Table A8.1: **Key clean industry and climate mitigation indicators: Austria**

Climate mitigation	Austria							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	345	357	368	363	316	304	314	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	41.3	40.0	40.9	39.6	39.9	38.4	-	↘	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	162.6	162.0	171.4	162.0	143.0	132.9	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	48.1	47.9	47.2	47.2	48.1	48.4	50.5	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	1.20	1.18	1.24	1.16	1.07	1.00	1.08	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	19.42	18.95	18.42	18.46	18.99	17.84	18.47	↗	-	-
GHG emissions intensity of production in sector [..], g/€ (6)										
- paper and paper products (NACE C17)	824	883	888	883	716	696	652	↘	722	619
- chemicals and chemical products (NACE C20)	794	799	745	906	896	634	573	↘	-	-
- other non-metallic mineral products (NACE C23)	1,839	1,773	2,040	1,920	1,685	1,695	1,720	↘	2,495	2,352
- basic metals (NACE C24)	2,683	2,969	3,141	3,862	3,500	3,667	3,708	↗	2,842	3,099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-13.4	-17.8	-22.4	-24.6			
- domestic road transport	-2.1	-1.9	-15.1	-11.9	-16.6	-20.3	-23.0	↘	-1.4	-5.6
- buildings	-36.5	-34.6	-34.7	-29.6	-40.2	-47.7	-50.8	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	57.0			49.3	46.9	44.3	43.0	-48.0%	-32.2%	-40.0%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**		**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	1.98	2.81	6.42	13.91	15.89	19.91	17.58		↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	8104	11739	17584	18636	30421	34706	↗	446956	n/a
Share of electrified railways, % of total (9)	71.50	70.81	71.20	71.44	72.02	73.86	73.99		↗	55.47	56.49

Sustainable industry	Austria							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	23.6	22.5	21.8	25.4	24.2	20.1	18.4	↘	14.8	13.7
Circular material use rate, %	11.8	11.5	11.4	11.2	12.2	14.2	15.2	↗	11.6	12.2
Resource productivity, €/kg	2.5	2.5	2.4	2.4	2.8	3.2	3.4	↗	2.1	3.0
Employees in circular economy	1.4	1.4	1.4	1.6	1.4	1.4	-		2.1	2.0
Patents in circular economy	13.27	19.3	26.4	30.5					12.3	12.0
Recycling rate	57.7	58.2	62.3	62.5	62.6	62.8	:		46.40	48.1
Plastic recyling	32%	31%	25%	26%	25%	27%	-		41%	42%
Construction and demolition waste (CDW) recovery	90	-	91						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	18,769	19,205	19,296	21,635	24,373	23,876	-	4.1%	642,438	863,436
Employment, total number of people employed	331,205	326,100	327,694	334,816	334,326	325,594	-	-0.3%	17,649,040	17,085,642
Productivity										
Valued added per worker, thousand EUR	56.7	58.9	58.9	64.6	72.9	73.3	-	4.4%	36.4	50.5
Valued added per worker, % of national average	74.7	76.0	77.4	81.4	84.9	80.7	-	1.3%	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	460	454	540	680	703	625		5.2%	15,672	23,335
Total R&D business expenditure	8,323	8,749	8,483	9,108	9,804	10,618	-	4.1%	196,587	259,525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	6.7	4.9	4.0	4.3	-	-	-		414.9	352.7
Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	6,512	-15%	4,873,700	-1%	8,652,600	-19%	317,610	-19%		
Water chemical status	Good		-	Good (%)	-		Poor	8077.0	Poor (%)	99%

Source: and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

This annex outlines the progress made and the ongoing challenges faced in increasing energy affordability, while advancing the transition to net zero. It reflects the implementation of energy-related country-specific recommendations (CSRs).

The 2025 energy-related CSR for Austria highlights the need to tackle high energy costs, including by reforming the Electricity Act, increasing the flexibility of the energy system and incentivising power purchase agreements. It also calls on Austria to reduce its overall reliance on fossil fuels and accelerate the roll-out of renewable energy and the required infrastructure, particularly by simplifying permitting procedures and putting in place dedicated acceleration areas. Lastly, it recommends that Austria increase its energy efficiency.

Austria took steps to address high energy prices, including measures that will be effective in 2026 and the adoption of the Electricity Act, where a full and timely implementation will be key for achieving sustainable and structurally lower prices. Austria continues making progress in renewable energy expansion, except for wind energy, where it needs to shorten permitting times and designate enough acceleration areas. Austria also needs to upgrade and expand its electricity grid, including cross-border connections to drive its clean energy transition.

Energy prices and costs

Austria has taken limited action to tackle high energy costs, as most of the temporary support measures introduced for households and industry expired at the end of 2024 and the new ones, introduced at the end of 2025, will not have an impact until 2026. The more structural, long-term reforms, such as the recently adopted Electricity Act, will have an impact midterm, in two or three years' time.

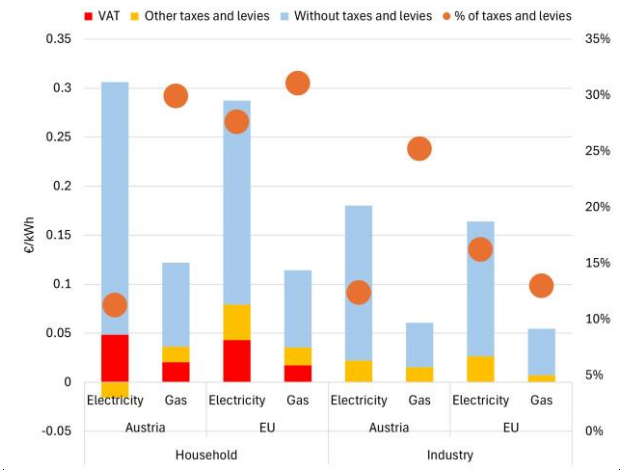
At the end of 2025, Austria introduced the following measures: i) a EUR 150 million bonus for energy-intensive industry for 2025-2026, 80% to be reinvested, with 50% of that amount going to energy efficiency measures; ii) by agreement with the transmission system operator, network charges will increase by only 1.1% in 2026; iii) levies on renewables will decrease by more than 14% in 2026; iv) a one-off relief measure of EUR 500 million for 2026 to reduce the electricity tax for households and enterprises; and, lastly, v) a social tariff, under the new Electricity Act, for low-income households, resulting in an average saving of around EUR 300 per household per year, translating in EUR 300 million total savings.

Household energy bills in Austria remained slightly above the EU average, while Austrian industrial consumers have faced prices well above the EU average. In the first half of 2025, household gas and electricity prices in Austria remained slightly above the EU average, at EUR 0.1220/kWh and EUR 0.2905/kWh respectively. Similarly, retail electricity prices for industrial consumers increased slightly in the first half of 2025 (to EUR 180/MWh) and have remained above the EU average (EUR 164/MWh). Wholesale costs make up 63% of the electricity price for industry, with network costs, carbon costs and taxes accounting for 20%, 5% and 12% respectively of the electricity bill.

Importantly, final energy prices in Austria had a high electricity-to-gas ratio, despite Austria's actions to decrease taxation on electricity. For large businesses, electricity was three times more expensive than gas in the first half of 2025, although for non-household consumers, taxes and levies accounted on average for 12% of electricity bills but nearly 25% of gas bills. However, if VAT on electricity were included, it would have risen to nearly 27% of the bill. By excluding taxes and levies, the electricity-to-gas price ratio would have increased to 3.5, signalling the impact of the Austrian fiscal measures. A similar – even greater – effect is visible for households, where the ratio increases from 2.4 to 3 once taxes are excluded ([287]).

([287])Analysis based on Eurostat data from the first half of 2025.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas. (ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers. (iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

Due to continued reliance on natural gas for electricity generation, and limited non-fossil flexibility and interconnection capacity, Austria's wholesale electricity prices averaged EUR 101/MWh in 2025 (EU average: EUR 85/MWh) ([288]), still the 11th highest in the EU. Although fossil fuels accounted for 16.9% of Austria's electricity generation in 2025, the fourth-lowest share in the EU, they maintained their structural role as the dominant, and costly, marginal price-setting technology (35% of price-setting hours for 16.9% of electricity generation). This is, however, significantly below the EU average (51%).

Average day-ahead electricity prices increased by 22% in the first half of 2025 amid rising natural gas procurement costs. The short-run marginal costs ([289]) of natural gas in the EU increased from EUR 96/MWh in 2024 to nearly EUR 103/MWh in 2025. Although daytime prices have fallen in recent years owing to the growing penetration of solar power, Austria remains vulnerable to severe price spikes during peak-demand hours. This is because falling solar output in the evening and early morning, combined with limited non-fossil flexibility, has led to a significant ramp-up of gas-fuelled plants to cover the supply–demand gap. As a result, price spreads ([290]) in Austria averaged EUR 112/MWh in 2025, up 26% from 2024.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

Flexibility and electricity grids

At the End of 2025, Austria adopted the Electricity Act, which will help increase the flexibility of the energy system. It replaces the outdated Electricity Sector Act 2010. The new Act represents an important shift in the regulatory framework of the Austrian energy market. It removes regulatory barriers preventing flexible resources, such as demand-side response and storage, from fully participating in the day-ahead and intraday markets. Austria has also introduced detailed grid-hosting capacity portals, providing information for applicants for generation or

([288])Ember.

([289])Short-run marginal costs (SRMCs) are the sum of the variable costs associated with producing electricity using hard coal and fossil gas. These are fuel costs, carbon costs and variable operating and maintenance costs. Estimates are provided by Ember.

([290])'Spread' refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

demand connection, contributing to the overall efficiency of the system. Full results of the reforms are expected to be seen only in 'two- or three-years'' time.

Austria is in the Core ([291]) and Italy North ([292]) capacity calculation regions ([293]). Italy North mostly meets the target for the margin available for cross-zonal electricity trade, but the Core region does not, still applying derogations and action plans. Austria is a net electricity importer (10% of its own consumption), exporting significant volumes to Hungary and Slovenia, while importing large volumes from Czechia and Germany.

Member States are to ensure that at least 70% of technical cross-border capacity is available for trading. Austria's national action plan aims to increase cross-border capacity to 70% by reinforcing the electricity grid and to address uncoordinated electricity flows, such as loop flows and flows from non-EU countries. Two outstanding grid expansion and reinforcement projects are expected to be implemented by 2027 and 2031 ([294]). However, Austria issued a derogation due to excessive loop and other uncoordinated flows ([295]). A derogation allows a lower level of trades for a limited period when necessary for operational security reasons.

Austria is advancing in non-fossil flexibility, despite some challenges. The country has 5 400 MW of electricity storage ([296]), mainly from hydropower storage plants and pumped hydro (the latter accounting for approx. 3 600 GWh). Batteries add around 1 100 MW ([297]). The country is planning 11 GW of additional storage by 2040. The Climate and Energy Fund will allocate EUR 250 million (in 2022 to 2026) for storage at renewable sites. Major future projects include the Limberg III pumped hydro plant (480 MW, 850 GWh) and the Kaunertal storage extension project of common interest (PCI) (64 GWh).

Austria's electricity interconnection is at 24.3% in 2026, well above the EU's 2030 target of 15.0% interconnection capacity. The following electricity transmission, storage or hydrogen projects of common/mutual interest (PCIs/PMIs) aim to improve Austria's electricity network and that of the region. These projects are: Kaunertal storage extension, cluster Austria–Germany (composed of three PCIs, all of which concern the territory of Austria and of which the internal section between Westtirol and Zell/Ziller was selected for a Connecting Europe Facility (CEF) grant for studies under the April 2025 CEF call); the interconnector between Würmlach (AT) and Somplago (IT); the Lienz (AT) and Veneto (IT) interconnector; and the Lienz-Obersielach and St. Peter-Dürnrohr internal lines, included in the second Union PCI/PMI list.

At distribution level, the GreenSwitch smart grid PCI (HR, AT, SI), supported by the CEF, continues to help modernise and digitise these countries' electricity grids and increase their hosting capacity. Austria is an important transit country, however asymmetrically interconnected with its neighbouring countries, with high price disparities especially on the eastern borders. It will be important for the central and south-eastern European region that Austria expands electricity interconnections towards the region in line with the infrastructure needs identified under the ten-year network development plan. Internal network reinforcements are also important in the context of the overall network development. The SoutH2 corridor connecting Tunisia, Italy, Austria and Germany and the H2Austria&Bavaria+Store electrolyser have been included in the second PCI/PMI list. Austrian PCIs/PMIs are also priority infrastructure projects under close monitoring by the high-level group for central and south-eastern Europe energy connectivity (CESEC) ([298]).

([291])Core is the capacity calculation region (CCR) which covers Belgium Czechia, Germany, France, Croatia, Hungary, the Netherlands, Austria, Poland, Romania, Slovenia, Slovakia and, once connected, Ireland.

([292])France, Italy, Austria and Slovenia are part of the Italy North CCR.

([293])A CCR is a group of countries which calculate cross-border electricity trade flows together.

([294])Source: ENTSO-E website, Bidding Zone Configuration Technical Report 2025.

([295])Source: Assessment of the national action plan, Vienna 2025.

([296])Source: Austrian Power Grid (APG), Study: zusammEn2040.

([297])Source: Austrian Power Grid (APG), Study: zusammEn2040.

([298])Endorsed at the 27 October 2025 CESEC ministerial meeting: central-and-south-eastern-europe-energy-connectivity_en.

Targeted redispatching measures remained necessary to relieve grid congestion. By the end of December 2025, redispatching costs totalled EUR 87.2 million – EUR 3.2 million higher than in the previous year. These emergency measures were required on 215 days in 2025, slightly more frequently than in 2024, when redispatching had been used on 203 days by the end of December ([299]).

Austria has nearly reached full coverage regarding smart meter roll-out and is continuing the positive trend in energy communities and consumer empowerment. Electricity consumers in Austria, both household and non-household, can access market-based offers, such as fixed-price/fixed-term, dynamic-price and average monthly spot-price contracts. In 2024, the household electricity switching rate rose to 4.6% (+ 21% compared to 2023), and the rate for non-household consumers rose to 4.4% (+ 10% compared to 2023) ([300]). Austria equipped 97% of all consumers with smart meters in 2024 ([301]), exceeding its goal for that year, and has set up 1 020 renewable energy communities and 109 citizen energy communities ([302]).

In 2024, electricity accounted for 22.6% of Austria's final energy consumption, marginally below the EU average of 23.4%. This share has increased steadily over the past decade ([303]). When it comes to households, electricity accounts for 27.1% of final energy consumption, while in industry it represents 31% (see also Annex 8). For the transport sector, this share remains negligible, at 4.6%. Further progress in electrification across sectors must be made in order to cost-effectively decarbonise the economy and bring affordable renewable generation to consumers.

Renewables and long-term contracts

2025 was a very good year for Austria in renewables, despite atypical weather conditions, with weaker wind and hydro generation. 83.1% ([304]) of the country's electricity and 42% of its heating and cooling came from renewable energy sources (RESs), mainly from hydropower, solar and wind (vs an EU overall RES share of 44.8%). Hydro represented 51.4%, biomass 6.1% and solar 13.7% of the electricity mix. Installed renewables capacity increased by 7.5% in 2025, taking total renewable energy capacity to 31 525 MW ([305]). In 2025, the country installed 0.2 GW of wind (+ 4,8% compared to 2024) and 1.4 GW of solar (+ 16% compared to 2024), a slight decrease compared to 2024 expansion rates. As part of European wind power action, Austria had committed to installing 1.4 GW of onshore wind capacity between 2024 and 2026, which now seems out of reach. Pumped hydropower storage capacity grew significantly in 2025, with 0.5 GW added (mainly through the Limberg III plant). RES grid connection waiting times remain substantial, with up to eight years being reported for ground-mounted solar PV projects ([306]). By 2030, it aims to increase its overall RES share to at least 57%, with 100% RESs in the electricity sector, 53% in heating and cooling and 43% in transport.

([299])Source: www.apg.at/en/news-press/december-2025-decline-in-renewable-energy-production/.

([300])2025 ACER Market Monitoring Report and ACER Electricity country sheets – 2025 Monitoring Report, July 2025.

([301])See note 16, page 4.

([302])energiegemeinschaften.gv.at/landkarte/.

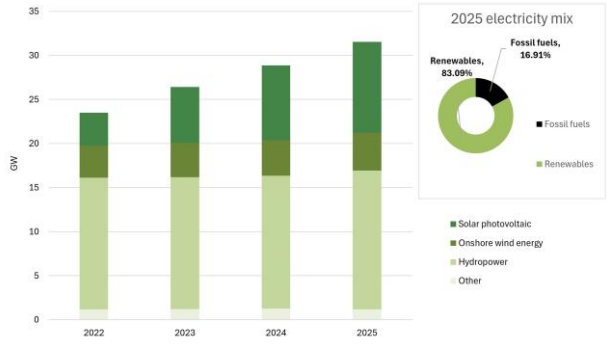
([303])CAGR (compound annual growth rate) of 1.04% between 2015 and 2024 and minimum/maximum share of 20.5% and 22.6% respectively. Source: Eurostat.

([304])Data based on the ENTSO-E transparency platform.

([305])Renewable capacity statistics 2026, IRENA.

([306])Solar Power Europe, EU Market Outlook for Solar Power 2023-2027.

Graph A9.3: **Austria's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

Austria has taken some action to speed up permit-granting procedures for renewables with the reform of the Environmental Impact Assessment Act, but challenges remain. Although a coordinated mapping exercise has been carried out, designation of renewables acceleration areas is lagging, with only one region having adapted its spatial planning legislation to allow for such designation.

The implementation of the revised EU permitting rules was delayed due to the national elections and because powers are divided between federal and state levels. 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 ([307]). There are ongoing infringement procedures against Austria for failure to transpose the provisions of the revised Renewable Energy Directive, including the permit-granting provisions. On the positive side, favourable frameworks for energy communities and public participation in RES projects have boosted renewables deployment, and the newly adopted Electricity Act should favour the integration of renewables into the system.

Austria moved from feed-in tariffs to a market premium system, based on competitive tenders (introduced from 2022 onwards). However, tenders are frequently undersubscribed and more clarity is needed on the future support schedule, as only the auctions for 2026 have been published ([308]).

The pertinent regulatory framework for incentivising power purchase agreements (PPAs), the Electricity Act, was adopted at the end of 2025. Currently, PPAs are limited in Austria, with 0.1 GW contracted ([309]), representing 2% of PPA deals signed in the EU and Norway in 2024. Austria plans to strengthen its legal framework for PPAs, in accordance with its final updated NECP, but no supporting measures have so far been developed ([310]). Since 2025, new guidelines have enabled PV projects to receive subsidies even if they have a PPA in place, offering a substantial incentive for solar energy development in the country. PPA demand is expected to reach 3 TWh in 2030.

Energy efficiency

In 2024 final energy consumption (FEC) decreased by 1.0%, compared to 2023, to 24.4 Mtoe, continuing the declining trend since 2019. Austria's FEC in 2024 is thus in line with the trajectory to its expected NECP contribution in 2030.

While FEC decreased substantially in industry (8.9% since 2019), services (13.8%) and transport (15.5%), it has remained nearly constant in the residential sector, with a very slight decrease of 0.6% since 2019. Significant technical energy savings in buildings including through structural measures, such as renovations ([311]), have been largely offset by the expansion of the housing stock and an increase in the average dwelling size. The marked reduction in FEC in the transport sector reflects a combination

([307])European Commission, 2024, Recommendation-and-guidance-speeding-permit-granting-renewable-energy-and-related-infrastructure_en.

([308])www.eag-abwicklungsstelle.at/foerderkalender/.

([309])PPA deal tracker – RE-Source platform.

([310])2025 ACER Monitoring Report: power purchase agreements, country sheets.

([311])www.indicators.odyssee-mure.eu/decomposition.html.

of structural and behavioural factors, including a gradual modal shift towards public transport and rail, efficiency gains from fleet renewal and increased uptake of electric vehicles, as well as lasting changes in mobility patterns. Targeted policy measures promoting sustainable mobility, also included in Austria's recovery and resilience plan (RRP), have reinforced this trend.

Austria has advanced its policy and financing framework to support energy efficiency. The Federal Ministry of Climate Action published its 2025 funding catalogue with targeted programmes for energy efficiency improvements, building renovation, boiler replacement initiatives and industry transformation support, combining grant and financing instruments to reduce energy demand. A broad set of grants and incentives for energy-efficient renovation, heating system upgrades and related projects remained available throughout 2025 and into 2026, albeit at a reduced level, given the need for budget consolidation.

The Renewal Heating Law, a reform under the RRP, banned the installation of fossil heating systems in new buildings from 2025 onwards. Austria is supporting the replacement of fossil boilers in existing buildings by climate-friendly heating systems and the renovation bonus for thermal energy renovations. However, funding applications for the renovation bonus have not been available since February 2026. In 2024, 73% of investment in boiler exchange programmes was dedicated to biomass boilers, while investment was fairly moderate (23%) in heat pumps and low in district heating connection (4%). The Austrian RRP funded the replacement of 31 800 fossil-fuel based heating systems.

35.4% of the energy consumed in Austria is used in buildings, highlighting the importance of the sector in increasing energy security. Austria has submitted its draft national building renovation plan pursuant to the recast EPBD in order to ensure a clear and predictable pathway towards an energy-efficient and decarbonised building stock.

Heating and cooling account for 80% of the country's residential final energy consumption, with renewables supplying 42% of the total energy used for heating and cooling in all sectors. District heating in Vienna is one of Europe's front runners in implementing energy efficiency and decarbonisation measures in the district heating and cooling sector. Around 55 000 heat pumps were sold in 2024, an increase of 0.11% compared to the previous year, taking the total stock of heat pumps to around 530 000, whereas approximately 900 000 households heat their homes with a gas boiler.

Austria reported 83 energy labelling checks in 2025 and no ecodesign checks. This is insufficient given the country's size and the EU's overall non-compliance levels. It is a possible breach of Austria's legal obligations.

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 secured gas imports from Germany, Italy and Norway, ensuring a smooth transition.

Two thirds of Austria's overall energy mix in 2024 remained reliant on fossil fuels, with oil accounting for 34%, natural gas 18% and (imported) coal 7% of gross inland consumption, while renewables (and biofuels) made up 38% ([312]). This reliance underscores the importance of Austria's ongoing efforts in its energy transition to diversify its energy sources and increase energy security.

In response to the regional crisis in the Middle East, Austria has extended strategic gas reserves until April 2029 and accelerated production from its largest gas field. To stabilize fuel prices, Austria implemented a "price brake" mechanism requiring a 5-cent deduction from average fuel prices and limiting price adjustments to once daily, while mandating that refineries pass savings to consumers. A voluntary energy-saving campaign focused on mobility is also planned, alongside participation in the IEA's collective oil stock release.

([312]) Eurostat. Electricity and heat are excluded from gross inland consumption to avoid double counting. The focus is on primary energy sources.

Fossil fuel subsidies

In 2024, environmentally harmful ([313]) fossil fuel subsidies without a planned phaseout before 2030 represented 0.01% of Austria's GDP. Additionally, Austria's 2023 effective carbon rate ([314]) averaged EUR 89.88 per tonne of CO_2 – above the EU weighted mean of EUR 84.80 ([315]).

([313])Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([314])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.

([315])OECD (2024), Pricing Greenhouse Gas Emissions 2024.

Austria's increasing climate challenges require advancements in adaptation, preparedness and environmental strategies to safeguard its ecosystems, economy and infrastructure. The country faces significant climate change impacts, such as floods, droughts, heat waves, glacier melting and seasonal water scarcity in Eastern regions. These impacts lead to economic burdens across various sectors and insurance systems, including the Katastrophenschutzfonds. Despite progress, such as implementing policies and integrating nature-based solutions, enhanced actions and increased funding are needed to manage rapidly growing climate risks. In addition, water resilience is a key issue due to rising demand and diminishing resources, requiring enhanced management practices. With 60% of its electricity sourced from hydropower, the resulting impoundments place considerable pressure on the ecological status of water bodies. Biodiversity is threatened, with most species and habitats in poor conservation status. This is worsened by habitat degradation, invasive species and pollution. Austria's agricultural practices contribute to ongoing nitrate pollution, with concentrations above safe levels at multiple monitoring stations. The carbon removals through LULUCF are presently insufficient to meet targets due to ageing forests and ecological pressures.

Climate adaptation and preparedness

Austria is highly exposed to climate change impacts which will require significant actions and investments across sectors ([316]). The country experiences a higher-than-average temperature increase, leading to more hot days and tropical nights. Urban areas are particularly vulnerable to heat waves. Due to the melting of glaciers (a 40% loss of Austria's glacier area between 1969 and 2015) and reduced snowfall, Austria's challenges to manage water resources will increase over the coming years. Austria's Eastern regions already experience seasonal water scarcity and are vulnerable to droughts. At the same time, Austria can expect more frequent and severe floods, causing mudslides, landslides and rockfall due to thawing permafrost and heavy rainfall. These changing climate conditions are already affecting multiple sectors in Austria ([317]). Forests are becoming more susceptible to pests, invasive species and wildfires; agriculture suffers from water shortage during droughts, reducing soil fertility and crop yields; aquaculture is exposed to temperature variability in water; tourism in lower-elevation ski resorts faces challenges due to lack of snowfall; and hydroelectric power generation is affected by reduced river flows. To address these impacts, available sources estimate that federal spending on climate adaptation, currently around EUR 1 billion annually, will need to more than double by mid-century ([318]). A recent study commissioned by DG CLIMA estimates ([319]) that Austria will need to invest almost EUR 1.6 billion per year up to 2050 (0.3% of annual GDP, lower than the EU average of 0.5%): first and foremost in infrastructure retrofitting and reinforcement (almost 50% of the total), followed by ecosystems restoration (around 29% of the total) and health (around 14% of the total).

Austria has been progressing in climate change adaptation, but significantly more needs to be done to address rapidly growing climate risks. The second Austrian Assessment Report on Climate Change (AAR2), published in June 2025, concludes that adaptation efforts remain insufficient in scale, scope and speed to address increasing climate risks. It highlights gaps in legal enforceability, resource allocation and long-term planning. At the same time, Austria was one of the first EU countries to link strategic concepts to concrete action plans with its national adaptation strategy, published in 2012. The third version of the strategy, adopted in 2024, includes an action plan with over 120 specific recommendations across 14 areas of activity. Regular reports track progress, with the third

([316])APCC, 2025, Second Austrian Assessment Report on Climate Change (AAR2).

([317])Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology, 2024, The Austrian Strategy for Adaptation to Climate Change.

([318])Steininger et al., 2020, Klimapolitik in Österreich: Innovationschance Coronakrise und die Kosten des Nicht-Handelns.

([319])European Commission, 2026, Assessment of EU and Member States Adaptation Investment Needs. The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

iteration expected by the end of 2026. Furthermore, Austria is taking steps to integrate climate change adaptation into its policy framework. The pending new climate law is set to establish adaptation as a key pillar, alongside mitigation and circular economy ([320]). In June 2025, Austria adopted the new 'climate check' as part of its RRP ([321]), requiring regulatory impact assessments to cover climate issues, including adaptation. Moreover, some sectoral initiatives are also underway, such as the health sector's climate resilience plan ([322]) and studies on water ([323]) and forests ([324]), aimed at improving the understanding and management of these vital resources. Additionally, progress has been made in updating the Austrian Climate Scenarios (ÖKS) ([325]), which provide climate information for policymakers and the public. The new version builds on the previous ÖKS15 and is expected to be published in 2027. Moreover, the Natural Hazard Overview & Risk Assessment Austria (HORA) ([326]), a public-private partnership that involves the insurance sector and provides interactive maps and information on natural hazards, has been enhanced with a new heat layer, indicating heat days, heat waves, extreme heat days and tropical nights. The country also recognises innovative and effective climate adaptation projects, as seen in the CliA Austrian State Prize for Climate Change Adaptation ([327]), which was awarded again in March 2026 after its first iteration in 2024. Furthermore, there are several initiatives supporting the local and regional levels. The funding programme KLAR! Climate Change Adaptation Model Regions ([328]) supports adaptation in 93 regions with 743 municipalities, covering around one third of all Austrian municipalities. However, from 2025 onwards, the programme was limited to ongoing projects, with no new regions or KLAR Invest. In addition, the share of Austria's population covered by EU Covenant of Mayors signatories has been stagnating and stood at 25% (vs EU27: 34%) in 2024. One fifth of signatories have submitted a sustainable energy and action plan (SECAP) and at least one monitoring report on time. The KWAN network ([329]) provides a platform for cooperation and exchange of experience among practitioners. The natural hazard and climate change check for municipalities ([330]) raises awareness and shows the needs for action in individual areas. In addition, a pilot training course on municipal climate change adaptation has been developed to further inform local authorities. Moreover, building on the EU Mission on Adaptation to Climate Change, Austria developed a central competence centre to facilitate efficient information exchange and synergies ([331]).

Climate risks have a direct and significant effect on Austria's economy while the insurance coverage remains relatively low. Between 1980 and 2024, Austria recorded EUR 19.8 billion in economic losses caused by weather- and climate-related extreme events, with only 19% of these losses covered by insurance ([332]). Average annual net damages are projected to reach EUR 2.5-5.2 billion by 2030 and at least EUR 4.3-10.8 billion by 2050, with peak-year flood losses potentially exceeding EUR 5-8 billion ([333]). These rising costs heavily burden Austria's

([320])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2026, Die Eckpunkte des neuen Klimagesetzes.

([321])Parlament Österreich, 2025, 11645/BR der Beilagen - Ausschussbericht BR - Berichterstattung.

([322])Federal Ministry of Labour, Social Affairs, Health, Care and Consumer Protection, 2024, Klimaresilienz des Gesundheitssystems: Zielkatalog.

([323])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2026, Wasser im Klimawandel - eine Studie über die Auswirkungen.

([324])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2026, FORSITE II: Waldfonds-Projekt: Erarbeitung der ökologischen Grundlagen für eine dynamische Waldtypisierung in Oberösterreich, Niederösterreich und Burgenland.

([325])Climate Change Centre Austria, 2026, klimaszenarien.AT.

([326])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2026, Natural Hazard Overview & Risk Assessment Austria.

([327])Klima- und Energiefonds, 2026, CliA – Österreichischer Staatspreis für Klimawandelanpassung.

([328])Klima- und Energiefonds, 2026, KLAR! Climate Change Adaptation Model Regions.

([329])Klima- und Energiefonds, 2026, Österreichisches Netzwerk innovativer Klimawandelanpassung für Praktiker:innen auf regionaler Ebene.

([330])Environment Agency Austria, 2026, Natural hazard and climate change check for municipalities.

([331])FFG, 2026, Mission "Klimawandelanpassung".

([332])European Environment Agency, 2024, Economic losses from weather- and climate-related extremes in Europe.

([333])Steininger et al., 2020, Klimapolitik in Österreich: Innovationschance Coronakrise und die Kosten des Nicht-Handelns.

Katastrophenschutzfonds, which is financed by a proportion of federal taxes ([334]). In the future, the fund risks facing a structural deficit, as damages outpace tax-linked revenues. This situation has already occurred in 2002, 2005, and 2013, when major floods required emergency ad hoc increases in funding. In the aftermath of such events, domestic debate consistently shifts toward comprehensive insurance reform, as the current system provides few incentives for private provision and fosters a reliance on state compensation that discourages individual risk mitigation. To reduce the climate insurance protection gap, Austria's national adaptation strategy makes three concrete recommendations. This includes 'Raising awareness among the population to avoid damaging events and strengthening personal responsibility through services of the insurance industry', 'Better risk diversification for insurers and thus increased insurability of climate- and weather-induced losses', and 'Optimisation of risk transfer mechanisms'.

Austria has taken steps to reduce the vulnerability of its energy and transport infrastructure to climate change risks. In September 2025, the Austrian National Council passed the Critical Entities Resilience Act ([335]), transposing Directive 2022/2557. The legislation mandates a national risk assessment and requires critical infrastructure to address various risks, including climate-related ones. Similarly, Austria's legislation on environmental impact assessments requires climate change impacts on different infrastructure types to be taken into account. Austria currently possesses a reliable energy infrastructure with high grid security. Recent data also reflects stable security of supply. Progress is evident through planning tools like the Integrated Austrian network infrastructure plan (ÖNIP) ([336]). Cooperation between energy and climate science is crucial and is increasingly occurring, as demonstrated by projects like the Austrian Power Grid climate risk management initiative Klimacheck ([337]). Nevertheless, further adaptation is needed as the shift to a more decentralised energy system imposes greater demands on grids, flexibility, and storage, alongside increasing challenges from climate risks. As regards transport, Austria has one of the lowest levels of vulnerability to changing climate conditions in the EU, reflecting high adaptation preparedness of its TEN-T network ([338]). Transport providers, including rail and road, have disaster management plans in place, with significant progress made in recent years regarding information and early warning systems. The introduction of AT-ALERT across Austria in 2024 serves as an important information source for transport users. To further reduce the vulnerability of transport infrastructure, adapting regulations and protection targets is essential, particularly concerning the sizing of flood protection measures. Currently, protection targets are often not aligned with climate change-related developments, such as shifts in the annual frequency and intensity of extreme weather events.

Austria has begun to incorporate nature-based solutions into its policy framework. The Austrian biodiversity strategy 2030+ ([339]) highlights climate change adaptation as a central, cross-cutting theme and outlines specific measures for implementing nature-based solutions. The Austrian floodplain strategy 2030+ ([340]) and moorland strategy 2030+ ([341]) integrate adaptation, mitigation and biodiversity goals into a cohesive framework, underscoring the importance of considering nature conservation and climate resilience in tandem. Additionally, the preservation of green spaces, which offer heat reduction and water retention, is expected to be further integrated into local and regional spatial planning and is set as a key objective in the Austrian spatial development concept ÖREK 2030 ([342]). Moreover,

([334])Federal Ministry of Finance, 2026, Katastrophenfonds.

([335])Parlament Österreich, 2025, Resilienz kritischer Einrichtungen-Gesetz.

([336])Federal Ministry of Economy, Energy and Tourism, 2026, Integrierter österreichischer Netzinfrastrukturplan (ÖNIP).

([337])Austrian Power Grid, 2026, Klimacheck.

([338])Schade et al., 2024, Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network.

([339])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2022, Biodiversitäts-Strategie Österreich 2030+.

([340])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2023, Auenstrategie Österreich 2030+.

([341])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2022, Moorstrategie Österreich 2030+.

([342])Österreichische Raumordnungskonferenz, 2021, Beschluss und Veröffentlichung ÖREK 2030 – Raum für Wandel.

the agri-environmental programme (ÖPUL) ([343]), in which around 80% of Austrian farmers participate, promotes environmentally friendly and extensive agricultural practices that protect natural habitats, support nature-based solutions and biodiversity, and contribute to climate change adaptation through soil management practices. Furthermore, numerous research and implementation projects are advancing nature-based solutions across various domains. These include efforts such as the renaturation of watercourses, restoration of moors, the development of climate-resilient forests, and urban initiatives like sponge city projects that enhance blue and green infrastructure. Examples include LIFE IRIS – Integrated River Solutions in Austria ([344]) and LIFE AMooRe – Austrian Moor Restoration ([345]).

Water resilience

Due to climate change and the demographic evolution, Austria's demand for water until 2050 is estimated to increase by 11%-15% while water resources will decline by up to 23% ([346]). Glacier melting and reduced snowfall in Alpine regions will render water supply more erratic, creating a significant challenge for Austria's water quantity management. Austria's Eastern regions will suffer from reduced water availability which can also increase the density of pollutants in their surface water bodies. Flood protections will need reinforcements using, where possible, nature-based solutions to retain more precipitation in the soil and prevent urban run-off.

Austria faces emerging seasonal water scarcity and lower groundwater levels, especially in its Eastern parts. While Austria generally has abundant water resources, the distribution and availability are becoming increasingly uneven. Agriculture, water utilities and energy production are among the most water-dependent sectors ([347]). The national water exploitation index plus (WEI+) ([348]), a measure of how much water is being used compared with the total renewable freshwater resources available for a given territory and period, indicates low overall pressure due to abundant renewable freshwater resources.

Water productivity in Austria ([349]) stood at EUR 91 per m³ of abstracted water in 2022, below the EU-27 average of EUR 151 per m³, reflecting low incentives for efficiency due to abundant water availability. In 2023, public water supply accounted for 17% of freshwater abstraction, with energy production at 45%([350]). 60% of Austria's electricity mix is based on hydropower.

In contrast to other European countries, Austria is currently only using water from groundwater and spring sources for drinking water supply and is therefore not reliant on the use of extensively treated surface water. However, studies estimate that groundwater levels will further decrease and might not be able to meet the water demand in certain Eastern regions by 2050 ([351]). Austria's water resource management must consequently be improved using digital tools and demand reduced through higher efficiency.

The good ecological status of Austria's surface water bodies has slightly improved between the second and third river basin management plan (RBMP) from 46.6% to 49.3%

([343])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2023, Österreichisches Programm zur Förderung einer umweltgerechten, extensiven und den natürlichen Lebensraum schützenden Landwirtschaft.

([344])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2026, LIFE IP IRIS AUSTRIA - Integrated River Solutions in Austria.

([345])Federal Ministry of Agriculture and Forestry, Climate and Environmental Protection, Regions and Water Management, 2026, AMooRe – Austrian Moor Restoration.

([346])Federal Ministry Republic of Austria, 2023, Austria's Water Treasure, Link.

([347])EEA, Water abstraction by economic sector, 2000-2023, 2025.

([348])Eurostat, Water Exploitation Index, plus.

([349])Water productivity is a metric that is calculated by dividing GDP (in chain-linked volume) by total water abstraction. It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

([350])EEA, Water abstraction by economic sector, 2000-2023, 2025.

([351])Federal Ministry Republic of Austria, 2023, Austria's Water Treasure, Link.

([352]). Main pressures remain impoundments for hydropower and flood protection. It is worrying that compared to the previous RBMP cycle, Austria increased the designation of heavily modified river bodies from 627 to 880 (+ 40%), due to a re-classification of river bodies located in urban areas. Nevertheless, this means that 12.3% of all rivers measured by length are by now heavily modified in Austria and only 18% of them are still in their natural state ([353]). Furthermore, with already over 5 200 hydropower plants, the majority of which are small and very small hydropower plants in beaks and rivers ([354]) Austria to increasing hydropower by 5 TWh by 2030 which may further increase pressures on rivers. Priority should be given to retrofitting existing hydropower plants as opposed to building additional impoundments that would deteriorate the ecological status of the rivers and beaks concerned.

A recent study analysed the restoration potential of free flowing rivers in Austria ([355]). The study shows that the first steps have already been taken and that renaturation projects in Austria can be quite successful. However, political support and sufficient financial resources are needed to achieve the objectives of the EU Nature Restoration Regulation.

Regarding the chemical status of the surface water bodies, none achieve a good chemical status due to two ubiquitous, persistent, bioaccumulative and toxic substances (uPBTs), mercury and brominated diphenyl ethers, which can lead to a health risk for humans via the food chain. However, if excluded from the assessment, 98.4% of Austria's surface water bodies can be considered as achieving a good status and the trend would be slightly positive compared to the second RBMP([356]).

The water network infrastructure in Austria is extensive and well developed. Investments in reservoirs, interconnections and infrastructure upgrades are already in place to reduce local water scarcity issues**.** That said, in Eastern Austria and around the capital Vienna, water scarcity can become a more frequent seasonal phenomenon which will gradually increase pressure on the existing supply infrastructure.

Austria can meet its drinking water needs entirely from protected groundwater sources and wells. Drinking water mostly reaches consumers untreated and in excellent quality. The study 'Austria's Water Treasure' ([357]), initiated by the Federal Ministry of Agriculture, Regions and Tourism, aims to ensure sustainable management and protection of Austria's abundant groundwater and drinking water resources, securing their availability and quality up to 2050 in the context of climate change and increasing demand.

Austria is fully compliant with the Urban Wastewater Treatment Directive (UWWTD 91/271/EEC). That means that the collection, biological treatment and biological treatment with nitrogen and/or phosphorus removal of urban wastewater is in line with the requirements of the EU legislation. This is above the EU average of 75.9% ([358]).

In view of possible drinking water shortages due to climate change, Austrian municipalities are investing more in drinking water supply measures, like connecting separate groundwater bodies through ring pipelines and increased use of wells. Unfortunately, operating costs in the collecting systems and urban wastewater treatment plants (UWWTPs) are not available ([359]). Overall, Austria still needs to invest around EUR 389 million per year (0.09% of GDP), with the major part related to wastewater, to close the investment gap and meet the various

([352]) *WISE, Surface water Bodies: ecological status or potential*. Link.

([353]) Umweltbundesamt, Dashboard Fließgewässer-Zustand.

([354]) European Commission, Third River Basin Management Plans. Second Flood Hazard and Risk Maps and Second Flood Risk Management Plans. Member State: Austria, 2025. Link.

([355]) WWF, blattfisch, Potential für die Wiederherstellung frei fließender Flüsse in Österreich, 2024. Link.

([356]) European Commission, Third River Basin Management Plans. Second Flood Hazard and Risk Maps and Second Flood Risk Management Plans. Member State: Austria, 2025. Link.

([357]) Federal Ministry Republic of Austria, 2023, Austria's Water Treasure, Link.

([358]) Austria | Country profiles on urban waste water treatment | WISE Freshwater.

([359]) Internal documents, implementation of Directive 91/271/EEC (UWWTD), 2022.

environmental targets under the Water Framework Directive and the Floods Directive ([360]).

Nature restoration

Austria's economy is structurally exposed to nature loss through its dependency on ecosystem services ([361]). About 46% of gross value added (GVA) relies directly on the ecosystem – just above the EU average of 44% - keeping in mind that the entire economy is vulnerable to nature degradation, as all sectors are interlinked through supply and customer connections, potentially leading to cascading effects along value chains ([362]).

Despite Austria's rich biodiversity – reflected in 29.3% ([363]) **of its territory designated as protected areas – habitat degradation is increasingly widespread.** Despite improvements in the level of site protection and increased restoration efforts over recent decades, the status of many habitats and species in Austria have continued to deteriorate ([364]). Overall, more than 80% of the species and habitat types protected under the Fauna-Flora-Habitat Directive fail to achieve favourable conservation status. This makes Austria one of the worst performers in the EU regarding species conservation. Wet habitats, such as rivers and peatlands, as well as the associated groups of species, such as fish, amphibians and reptiles, are particularly affected. More than 25% of all breeding bird species in Austria also show negative population trends. The decline can be especially observed with the common farmland birds with a decrease by about 40% on average over the last 25 years ([365]). The trend shows an overall deterioration, as the conservation status has worsened for more species and habitats than it has improved for between the last two reporting periods. This trend clearly indicates that the existing protection measures are not sufficient to achieve the conservation objectives set by the EU. In this regard, the European Commission entered the next stage of its infringement procedure against Austria and decided to send a reasoned opinion([366]) to Austria for failing to comply with the Habitats and Birds Directives.

Austria is aligning national policy, planning and on-the-ground river restoration actions with existing EU water and nature legislation and preparing for the implementation of the EU Nature Restoration Law, which includes the aim to make at least 25 000 km of rivers in the EU free flowing by 2030. The EU-co-funded LIFE IP IRIS Austria (Integrated River Solutions) project develops integrated river basin management plans that align ecological goals (river renaturation) with flood risk management and other uses. It covers nearly 600 km of river corridors across seven Austrian catchments, with designs to restore more natural flows and river dynamics ([367]).

The Dynamic LIFE Lines Danube is a transnational renaturation project on the Danube and its floodplains conducted with Slovak partners and WWF. Its aim is to return more water and dynamism to the river's wetlands and floodplain landscapes, improving ecological function and natural flow regimes ([368]).

Free flowing rivers also generate broader socio-economic benefits, including enhanced rural landscape quality and new recreation and tourism opportunities.

Nature degradation is further amplified by invasive alien species, with 39 recorded in Austria in 2024 ([369]), inflicting estimated damages of EUR 250 million up to 2020, primarily affecting

([360])European Commission, Environmental Implementation Review (2025), *Austria country report*, Link.

([361])Hirschbuehl et al. (JRC), *The EU economy`s dependency on nature*, VASILAKOPOULOS, P. editor(s), European Commission, (2025). Link

([362])Hirschbuehl et al. (JRC), *The EU economy`s dependency on nature*, VASILAKOPOULOS, P. editor(s), European Commission, (2025). Link

([363])Eurostat, *Protected Areas Indicator*, Link.

([364])EEA, State of Nature in the EU: Results from reporting under the Nature Directives 2013-2018, Publications Office of the European Union, Luxembourg, 2020, Link.

([365])EEA, Common bird index in Europe, Link.

([366])INFR(2022)2056.

([367])LIFE IP IRIS Austria - viadonau.

([368])Dynamic LIFE Lines Danube Projekt | WWF Österreich

([369])European Commission, 2025, *Environmental Implementation Review, Austria Country Report*. Link.

agriculture and public health ([370]). At the same time, eutrophication – a threat to biodiversity and ecosystem integrity – has shown partial improvement, with the areas at risk declining from 76% to 61% since 2005 ([371]). Nitrogen deposition from agriculture and industrial combustion remains a critical driver of this problem.

Austria is continuing its climate and environmental efforts as challenges intensify, but a biodiversity financing gap persists. Austria faces an estimated EUR 942 million/year shortfall in funding (out of a EUR 1.34 billion/year investment need) designed to address conservation priorities. ([372]).

Sustainable agriculture and land use

Austria's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF) ([373]). The LULUCF sector has shifted from a historical carbon sink to a net source of emissions in recent years. This trend is primarily attributed to ageing forests with reduced sequestration rates and increased salvage logging due to bark beetle infestations and storm damage. To meet its 2030 LULUCF target, additional carbon removals of 0.9 million tonnes of CO_2 equivalent ($MtCO_2$-eq) are needed ([374]). The latest available projections show a gap to target of approximately 0.45 $MtCO_2$-eq for 2030 ([375]). Consequently, Austria requires additional measures to bridge this gap. Beyond increasing net removals, investments in healthy forests and soils are vital for resilient value chains and a competitive bioeconomy. Furthermore, enhancing national monitoring systems through improved data and projections remains essential for effective climate action.

Austria's functional urban area (FUA) has considerably expanded in the last years with a yearly net land taken between 2018 and 2021 that accounted for 459 ppm/year of the total urban surface of the country, where most land has been taken from arable land. This ongoing 'land take' and the associated soil sealing causes less resilient ecosystems, decreased carbon sequestration, and impaired flood protection ([376]). With its national soil strategy([377]), Austria aims to substantially reduce land use and soil sealing by 2030.

Water quality pressures stay high, but better than the EU average. Under the EU Nitrates Directive, 23% of Austria's groundwater monitoring stations recorded average nitrate concentrations exceeding 25 mg/l (and 7% above 50 mg/l, the EU threshold for safe drinking water) between 2016 and 2019 ([378]). These numbers underscore systemic agricultural pressures, with Austria's livestock density of 0.86 livestock units per hectare in 2020([379]), slightly above the EU average of 0.75. A 5% reduction in agricultural ammonia emissions between 2018 and 2023 shows Austria is projected to be on track to meet its reduction commitments to be achieved by 2030([380]). However, nitrate pollution persists, indicating gaps in nutrient management strategies.

Pesticide contamination remains a critical issue, with 9% of rivers and 25% of groundwater exceeding regulatory thresholds for pesticide residues between 2018 and 2023 ([381]). Pesticides not only threaten aquatic ecosystems but also

([370])Neobiota, Economic Cost of invasive alien species across Europe (2021). Link. European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025). Link.

([371])EEA, Eutrophication caused by atmospheric nitrogen deposition in Europe 2024. Link.

([372])European Commission, Environmental Implementation Review (2025), *Austria country report*.

([373])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839 Link.

([374])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839, Link.

([375])Climate action progress report 2025. Link. Note: Austria did not submit projections with additional measures (WAM).

([376])EEA, Land take and land degradation in functional urban areas, 2022. Link.

([377])ÖROK, 'Bodenstrategie für Österreich', 2024, https://www.oerok.gv.at/bodenstrategie.

([378])EEA, Nitrate in groundwater in Europe, 2025. Link.

([379])Eurostat, Livestock density index. Link.

([380])EEA, Magnitude of emission reductions (percentage) required by EU Member States to meet their emission reduction commitments for 2030 onwards, based on 2023 data, 2025. Link.

([381])EEA, Pesticides in rivers, lakes, and groundwater in Europe, 2024. Link.

pose long-term risks to human health through contaminated drinking water and food chains. Pesticide contamination can also be observed in the soil, with 38% of agricultural soils showing pesticide residues above 0.5 mg/kg-1 ([382]).

([382])Vieira et al. (JRC), Pesticides residues in European agricultural soils - Results from LUCAS 2018 soil module, *Publications Office of the European Union, 2023.* Link.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	2.32	0.26	2.66	9.55	0.07	-	2.76
Forest fires burned area (1) *[burned area in ha. per year]*	38	168	72	1 016	398	-	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	630	248	868	220	409	2 032	40 452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	2	2	2	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	23	23	23	23	23	25	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	0.63	1.79	2.00	2.28	1.71	-	4.53
Water productivity *[EUR per m^3]*	-	-	-	91	-	-	151
Water abstraction							
Water abstraction by source (% from surface water)	-	-	-	-	-		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufactu-ring	Public water supply	Mining and Quarrying	Construc-tion	
	2.45%	45.04%	35.03%	17.49%	0.00%	0.00%	
Status of water bodies (4) *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	49%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	100%	93%

Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	46%	-	-	44%
Protected area *[% of terrestrial protected areas]*	28.9	29	29.3	29.3	29.3		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	39	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.25		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				191	191		295

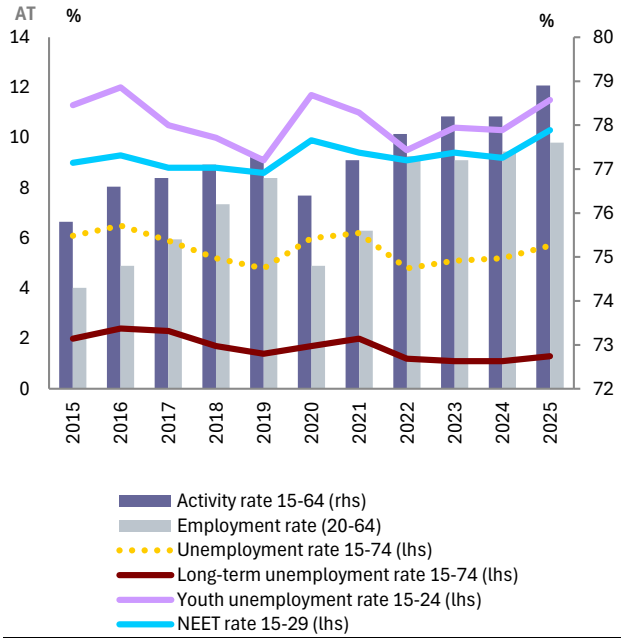
Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			412		459		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					61%		
Complex and mixed cultivation					0%		
Forests					8%		
Herbaceous vegetation associations					2%		
Open spaces with little or no vegetation					0%		
Pastures					29%		
Permanent crops					1%		
Water					0%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater (5) *[$mgNO_3/l$]*	21.9	21.5	21.3	21.1	20.9		
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		0.86			0.86		0.75
Ammonia emissions *[% of total utilised agricultural area]*	94%	94%	94%	94%	94%	-	94%
Pesticide contamination on rivers and lakes water bodies				rivers	9%		27%
[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]				lakes	n.d.		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					38%		57%
Net greenhouse gas removals from LULUCF (6) *[$ktCO_2$-eq]*	6001.9	-949.9	-3361.7	-206.5	7530.0	-	-198 421

(1) EFFIS (European Forest Fire Information System). Link.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires, windstorms, and the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) 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.
(4) 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).
(5) Indicator refers to concentrations of nitrate (NO3) in groundwater, measured as milligrams per litre (mg NO3/L). Nitrate 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 is limited to 50 mg NO3/L to avoid threats to human health.
(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA, JRC

Austria's labour market performs strongly but faces structural pressures, limiting its ability to fully meet current and future labour demand. Austria's labour market remains characterized by both rising unemployment and persistent labour shortages, regional imbalances and structural issues such as gender gaps in employment outcomes and untapped potential among older workers, non-EU-born people and people with lower levels of skills. While Austria performs relatively well on decarbonisation, skills shortages in the green sectors and challenges in the automotive industry persist, alongside a moderating wage outlook. The 2025 country-specific recommendations for Austria focused on increasing the number of hours worked and boosting the employment rate among groups who are under-represented in the labour market ([383]).

The employment rate rose modestly, while there was also an increase in unemployment. Despite the economic recession, employment has continued to expand gradually, driven mainly by the increase in the statutory retirement age for women. While exceeding the EU average of 76.2%, at 77.6%, the employment rate in 2025 was still 2.3 pps below the 2030 national employment rate target of 79.9%. The activity rate (15-64) increased to 78.9%, after a period of steady increases since 2009, and is well above the EU average of 75.7%. At the same time, the unemployment rate went up, from 5.2% to 5.7%, and is approaching the EU average (6%), with the long-term unemployment rate also rising to 1.3%. The youth unemployment rate saw a pronounced increase by 1.2 pps from 10.3% in 2024 to 11.5% in 2025. Both rates remain well below the EU averages of 15.2% and 1.9%. However, contrary to the EU-wide trend, the share of young persons neither in employment nor in education and training increased by 1.1 pps and stood at 10.3% in 2025, approaching the EU average of 10.9%. Employment is expected to rise by 0.3 pps and 0.6 pps in 2026 and 2027, driven by the projected modest economic recovery ([384]). However, in the short term, there is a risk of a continued negative labour market outlook ([385]). The average number of usual weekly hours worked remained low at 35.8 hours in 2025 (see the 2025 country report). Only few measures were taken in 2025 to address the 2025 country-specific recommendation (CSR) to create incentives to boost the numbers of hours worked overall, focusing on tax incentives to work overtime and on holidays ([386]).

Graph A11.1: **Key labour market indicators**



Source: Eurostat, Labour Force Survey [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a].

The labour market remains tight, with labour and skills shortages among the highest in the EU. The job vacancy rate had steadily decreased since the COVID-19 pandemic, and it peaked at 5.3% in Q2-2022, almost returning to its pre-pandemic level of 3.4% in Q2-2025, compared with 3.3% in Q4-2019. Nevertheless, it remained well above the EU average (2.1%). Vacancy rates are particularly high in the administrative and support service activities (5.7%), accommodation and food services (5.4%), as well as construction and professional, scientific and technical activities

([383])CSR 2025.5.1. Create incentives to boost the numbers of hours worked overall.

CSR 2025.5.2. and the full-time labour market participation of women, including by improving quality and availability of childcare services.

CSR 2025.5.3. Improve labour market outcomes for older workers and for disadvantaged groups, such as low-skilled job seekers and people with a migrant background.

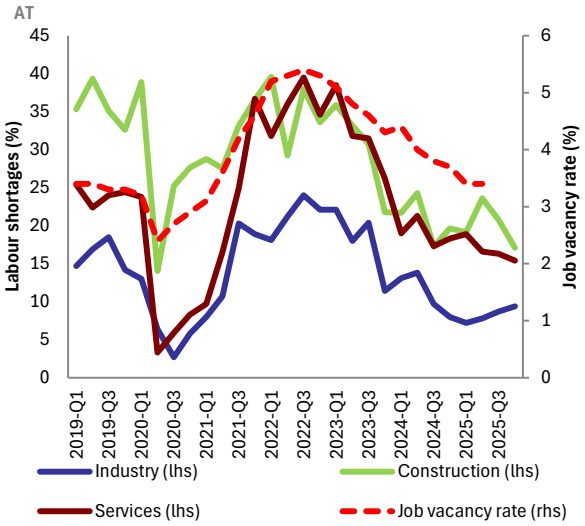
([384])European Commission, 2025, Autumn Forecast for Austria.

([385])Wifo, 2026, Economic Outlook for 2026 and 2027.

([386])Parlament Österreich, Parlamentskorrespondenz Nr. 34, 2026.

(4.9%). Persistent skills shortages are also evident among manufacturing labourers, shop sales assistants, domestic, hotel and office cleaners and helpers, as well as physical and engineering science technicians ([387]). At the same time, Austria reported one of the highest numbers of surplus occupations in 2024.

Graph A11.2: **Labour and skills shortages and the vacancy rate**



(1) Job vacancy rate, seasonally adjusted.
Source: Eurostat [ei_lmjv_q_r2] and European Commission Business and Consumer Survey (EU-BCS).

Persistent gender gaps in working time, retirement and care responsibilities continue to constrain female employment. Women's activity (15-64) and employment (20-64) rates in 2025 stood at 75.1% and 74.2% respectively. While they were high in absolute terms and in comparison with other EU countries, the related gender gaps were 7.6 and 6.8 pps. The 2025 CSRs for Austria highlighted the need to support the full-time participation of women in the labour market, including by improving framework conditions and, in particular, the quality and availability of childcare services ([388]). The 2024 reform gradually raising the statutory retirement age for women to 65 years by 2033 has contributed to increasing the employment of women aged 55-64 (from 51.6% in 2024 to 55.3% in 2025) and the average labour market exit age reached 61.2 years in 2024. However, Austria has one of the widest gender gaps in part-time employment in the EU, at 37.1 pps in 2025, with almost half of all women (49.6%) working part-time. In 2025, 42.1% of women working part-time cite care responsibilities for children or adults with disabilities as the primary reason for choosing this type of work, and a further 26.5% cite other personal reasons, a part of which can also be driven by perceptions of gender roles and care responsibilities.

Austria also records one of the highest gender pay gaps among all Member States, at 17.6% in 2024, which, together with lower employment outcomes, contributes to one of the highest gender pension gaps in the EU. The implementation of the Pay Transparency Directive is expected to help close the gender pay gap. The increasing statutory pension age for women is expected to have only a partial impact on the gender pension gap in the medium term, as it does not tackle underlying drivers such as past earnings gaps and shorter contributory periods. As a result of ongoing policy efforts, in 2025, 30.9% of children under three years of age were enrolled in early childhood education and care (ECEC), an increase of 6.8 pps from 2023, contributing to women's potential full-time participation. Further measures to support the availability and quality of ECEC, longer opening hours, subsidies to fees for low-income parents, access to all-day schools, as well as affordable and high-quality long-term care provision could all increase women's working time (see also Annexes 12 and 13). These measures could be complemented by promoting flexible working time, telework, upskilling to support re-entry into full-time work, wider information campaigns on the implications of prolonged part-time employment and better public transport provision.

The effective retirement age, which is lower than the statutory retirement age, is comparatively low. Although the employment rate of older workers (55-64) had increased continuously over the last decade to reach 60.9% in 2025, it remains well below the EU average of 66.4%. Lower digital skills (63% of 55-64-year-olds reported having at least basic digital skills, compared with 76.4% among 25-54-year-olds) and difficulties in re-entering the labour market following unemployment continue to affect labour market outcomes in this group. The 2025 CSRs for Austria highlighted the need to improve labour

([387]) EURES - Demand for occupations | CEDEFOP (from 1 July 2024 to 30 June 2025). EURES Report on labour shortages and surpluses 2024.

([388]) CSR. 2025.5.2: and the full-time labour market participation of women, including by improving framework conditions and notably the quality and availability of childcare services.

market outcomes for older workers ([389]). As of 2026, the 'Aktion 55+' initiative will complement the existing Initiative 50+, aiming to create 3 000-6 000 jobs for the long-term unemployed people above the age of 55 in social enterprises and non-profit employment projects, with a yearly budget of EUR 50 million. Moreover, as of 2026, the minimum eligibility age for one early retirement scheme (the 'corridor pension') will be increased, which will help drive up the effective retirement age. Older individuals are to be incentivised to remain economically active in a reduced capacity beyond the earliest possible retirement age, rather than withdrawing completely from working life. Recent initiatives ([390]) had a limited impact on the prevention of job loss among older workers and drivers of early labour market exit ([391]) and could be complemented by additional measures targeting workplace health, return to work after sick leave (including subsidised part-time work for people with chronic health conditions) and participation in training and career guidance of older workers. The statutory retirement age was not adapted to the growing life expectancy. Overall, estimates suggest that closing the gender and age gaps in employment could offset the impact of 20 years of demographic change ([392]).

People born outside the EU and workers with low qualifications are major sources of labour market potential. The 2025 CSRs for Austria highlighted the need to improve labour market outcomes for people with a migrant background and for low-skilled jobseekers ([393]). People born outside the EU constitute 14% of the active labour force, yet they face significant structural barriers to entering the labour market. At 67.2% in 2025, their employment rate was 12.7 pps below the rate for those born in Austria. This gap reflects a combination of factors, including language barriers, difficulty in having their professional qualifications recognised in Austria, health, family circumstances and residence status. The overqualification rate among non-EU nationals was 45.4% in 2025, compared with 23% among Austrian nationals and 32.2% among people from other EU Member States. At the same time, there are still challenges related to the validation and recognition of professional experience and skills acquired abroad and on the job, as well as difficulties in accessing flexible upskilling and reskilling opportunities. Further measures such as additional language classes, including language training at the workplace, and improved information and advisory services on the interrelations between social benefits, housing and employment could be developed. Meanwhile, low-qualified people are the largest group among the unemployed. Their employment rate, at 57.9% in 2025, was 19.7 pps below the overall employment rate, and their unemployment rate is disproportionately higher than that of high-qualified people (12.8% vs 5.2% for those with medium-level qualifications and 3.9% for those with high-level qualifications). Furthermore, there is scope for increasing the employment rate of persons with disabilities. Although the figure is above the EU average, the gap in employment between persons with and without disabilities is 18.8 pps (2025), while 27% of young persons with disabilities were neither in employment nor in education and training (NEETs) in 2024. Work integration social enterprises support the labour market integration of people with reduced employability.

Differences between regions are substantial, underscoring **the need to support regional labour mobility.** While regional disparities in employment are relatively low, the differences in unemployment rates are more pronounced (ranging from 3.5% in the Tyrol to 5% in Burgenland and 9.9% in Vienna in 2025). These differences can also be seen in the vacancy rates (0.2% in Vienna vs 2.6% in Salzburg in 2023 ([394])), which indicates strong geographical disparities in unmet labour demand and supply, suggesting that unused labour potential in regions with higher unemployment rates – particularly Vienna – could help alleviate shortages in tighter regional labour markets. Barriers to regional mobility include differences in housing costs, childcare and social assistance or minimum income benefits, which are

([389])CSR 2025.5.3. Improve labour market outcomes for older workers and for disadvantaged groups, such as low-skilled job seekers and people with a migrant background.

([390])Including new components of fit2work and the initiatives of re-integration part-time and Demographic Consulting Digi+.

([391])See also OECD, 2025, Promoting Better Career Mobility for Longer Working Lives in Austria (EN).

([392])IMF, 2024, Austria – Selected issues.

([393])CSR 2025.5.3. Improve labour market outcomes for older workers and for disadvantaged groups, such as low-skilled job seekers and people with a migrant background.

([394])OECD, 2025. Addressing Regional Labour Market Imbalances in Austria.

more generous in Vienna, as well as obstacles to the labour market integration of refugees, including delayed access to integration courses, limited consideration of regional labour market demand in the initial dispersal process as well as institutional differences across regions. In addition, only 10% of registered unemployed people are eligible for cross-regional placement, as employer-provided accommodation and absence of health or care constraints are among the eligibility criteria. Removing the requirement of employer-provided accommodation could expand eligibility. Stronger financial incentives, better information and targeted training could improve the geographic mobility of jobseekers.

The decline of the automotive industry and labour shortages in green sectors pose challenges. The share of employment in energy-intensive industries is in line with the EU average (2.7% vs EU: 3.5% in 2025) ([395]), and training participation in these industries is above the EU average (17% vs 12%) ([396]). The share of employment in environmental goods and services in 2023 was relatively high (4.7% vs EU: 2.7%) ([397]). Labour shortages in sectors relevant to the green transition are particularly severe, while the potential for jobs being created in the area of solar, wind and small hydro-power generation is among the highest in the EU (0.9 jobs per one thousand people in the labour force by 2030) ([398]). Green jobs are traditionally dominated by men (only 39% of those jobs were done by women in 2022). Facilitating transition pathways towards green employment, with a particular focus on women, could reduce shortages and ensure a fair transition.

Wage growth is expected to moderate in the short term. Wage growth reached 7.2% in 2024 and slowed down to 3.8% in 2025 and is projected to drop to 2.4% in 2026, after reaching 4.8% in 2022 and 6.8% in 2023. Real wages grew by 4.2% in 2024, after a sizeable decrease in 2022 (4%) and in 2023 (0.5%). Real wage growth slowed to 0.2% in 2025, and is projected to decline by 0.5% in 2026. This is due to the lower nominal wage growth and an increase in inflation in 2025. Collective bargaining agreements for 2026 provide for wage increases below inflation in export-oriented industries and the public sector. Unit labour costs are expected to have grown moderately by 3.2% in 2025, following a sizeable wage-driven growth of 8% in 2024.

Social dialogue is well developed, with near-universal collective bargaining coverage and compulsory employer membership. Social partners play a crucial role in shaping policies. The collective bargaining coverage rate, which stood at 98% in 2024, is one of the highest in the EU, reflecting compulsory membership in the national employers' association, a holistic and coordinated wage bargaining process, *erga omnes* ('towards everybody') and extension clauses, as well as the validity of collective agreements after expiry. Collective bargaining is predominantly conducted at sector level. Trade union density is 20.2%, ranking among higher levels in the EU (placing Austria in the ninth place among all Member States). Employer organisation density is 100%, due to the compulsory affiliation for all companies ([399]). Since 1 January 2026, social partners have also been able to conclude agreements for freelance employees who are similar to employees.

([395])Eurostat, data code nama_10_a64_e.

([396])Eurostat, custom extraction from LFS.

([397])Eurostat, data codes env_ac_egss1 and nama_10_a10_e.

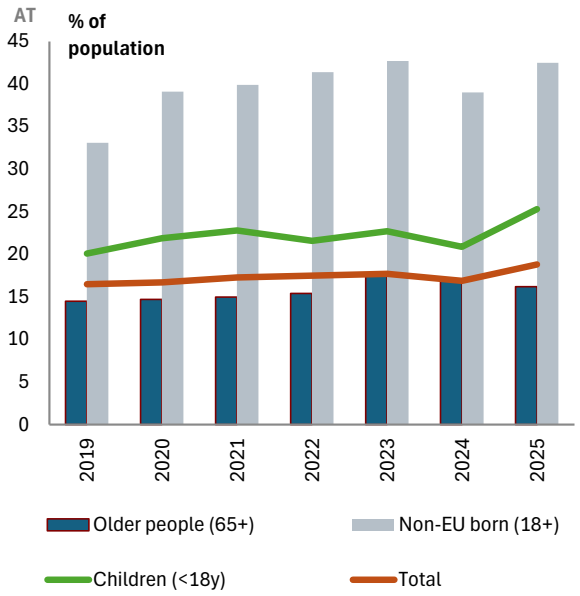
([398])European Commission, 2025, Estimating labour market transitions and skills investment needs of the green transition – A new approach.

([399])OECD/AIAS, ICTWSS v2.0.

Austria's social protection system is increasingly coming under pressure. In the context of high inflation and several years of recession, the system has helped stabilise most social outcomes in previous years. Relatively high public spending on social protection has helped contain poverty levels, also reflecting the successful implementation of measures to contain inflation and provide support for housing and energy costs. In 2025, however, poverty and social inclusion risks, notably among children, significantly increased, as incomes at the bottom grew more slowly than in the middle and top of the distribution. Moreover, disparities remain between regions and among individual groups, notably women, children, pensioners and people with a migrant background. Addressing these challenges, even in the context of significant budgetary consolidation, would help strengthen Austria's competitiveness and inclusive growth. In 2025, the country-specific recommendations (CSRs) for Austria called for improving the cost-effectiveness of healthcare (see annex 15) and long-term care and significantly increasing the effective retirement age.

As poverty and social exclusion risks rose markedly in 2025, further efforts are needed to achieve the 2030 national poverty reduction target. The share of people at risk of poverty or social exclusion (AROPE) increased markedly to 18.8% in 2025. Significant efforts are required to achieve the 2030 national target of 204 000 fewer people at risk of poverty or social exclusion than in 2019. In 2025, Austria had 265 000 more people AROPE than in 2019, as notably the share of people at risk of poverty (AROP) and the proportion of people in households with low work-intensity has increased in 2025. While equivalized net household incomes (based on 2024 annual income) increased by an average of 8.7% in 2025, income growth for the bottom 10% at 4.7% lagged significantly behind that of middle-income (8.7%) and high-income (8%) groups. There are stark regional differences in AROPE levels between urban and rural areas (Vienna 29.4% vs Burgenland 11.7%) and between regions with similar characteristics (e.g. Salzburg 14.6% vs Vorarlberg 21.6%). These regional disparities in AROPE levels are shaped by differences in job opportunities, the proportion of rented housing versus owner-occupied housing, and demographic composition, and by the varying levels of social assistance set by federal states. Unemployed people are particularly exposed to poverty risks. Following improvements in 2024, the AROPE share of unemployed people increased by 12.2 pps to 71.4% in 2025, compared with 9.8% of the employed population (EU: 66.3% and 10.9% respectively). Individuals with low qualifications are more often AROPE than those with high educational attainment (34% vs 13.8%) (EU: 34.2% vs 10.3%). Simultaneously, the impact of social transfers (other than pensions) in reducing poverty has sharply fallen, as benefits do not keep track with the increases in pensions and wages in a context of rising prices. Decreasing by 7.9 pps compared to 2024, social transfers reduced the AROP share in Austria by 32.8% with the impact now being below the EU average (33.2%). Social and unemployment assistance benefits as well as the minimum pension income being set below the AROP threshold together with the suspension of the social benefit indexation, including family-related benefits, in the context of Austria's fiscal consolidation efforts might further exacerbate poverty and social exclusion risks in the coming years. To address the multiple dimensions of poverty, the implementation of a comprehensive approach, as set out in the EU Anti-Poverty Strategy, can support progress towards achieving the national anti-poverty target. It would be beneficial if Austria took account of regional differences and the specific characteristics of target groups in the upcoming reform of the social assistance system.

Graph A12.1: **AROPE rates across subgroups**



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_peps06n].

Children are disproportionally affected by the rise in AROPE. The Austrian national action plan to implement the European Child Guarantee aims to halve the AROPE rates for children to 11% by 2030. In 2025, the AROPE rate for children rose by 4.4 pps to 25.3% (EU: 24.2%), the highest level in over a decade, well above the AROPE rate of adults (17.7%). At the same time, severe material and social deprivation (SMSD) is less pronounced among children (2.9%) than the total population (3.3%). Some groups warrant particular policy attention. While 18.9% of children with highly educated parents are at risk of poverty or social exclusion (EU: 10.8%), the share rises to 72.5% among children of parents with a low level of education (EU 61.5%). As educational levels tend to be passed down across generations (see Annex 13), repeating the cycle of poverty, targeted support is crucial. The recently adopted 'Chancenbonus' programme aims to address these challenges. Overall, Austria's compliance with the European Child Guarantee recommendations is uneven: it is largely compliant on effective access to suitable housing but lags behind on early childhood education and care for children under the age of three and the deinstitutionalisation of alternative care.

AROPE risks are higher among women at all life stages. In 2025, women experienced higher AROPE rates than men (19.9% vs 17.7%). Disparities increase with retirement, due to higher levels of part-time employment, fewer years in employment overall and lower lifetime earnings among women. In 2025, the percentage of female pensioners at risk of poverty or social exclusion was 4.8 pps higher than that of male pensioners, an imbalance that will be only partially mitigated by the gradual increase in the statutory retirement age for women until 2033. Among single parents – over 80% of whom are women - AROPE rates remain high, at 45.9%, increasing by 3.4 pps compared to 2024. The Single Parent Support Fund Act announced by the current coalition could help reduce poverty levels among single mothers. In 2024, men were almost 5 pps more likely than women to receive social benefits (43.5% vs 38.5%), mainly because some benefits are income-related or are granted in the form of tax deductions ([400]). To reduce AROPE levels among women, it would therefore be beneficial if Austria increased women's working hours, as this would improve access to social benefits, including pensions (see Annex 11). Flexible working arrangements and adequate childcare are crucial to achieving this objective. In recent years, Austria has introduced policy measures to increase participation in early childhood education and care for children under three, raising it from 21.1% in 2020 to 30.9% in 2025 and moving closer the Barcelona target of 33% but remaining well below the EU average of 40.5% ([401]).

People born outside Austria are more likely to face poverty and social exclusion risks, including in-work poverty. While the AROPE rate was 11.5% among people born in Austria in 2025, it reached 29.0% among people born in other Member States and 42.5% among those born outside the EU. This is 31 pps higher than for the native-born population ([402]). While AROPE increased in all groups, it particularly rose among people born outside the EU and those from other EU countries. The levels of low work intensity (15.9% vs AT: 4.7%) and in-work poverty (22.4% vs AT: 6%) are also higher among people born outside the EU. Low work intensity reflects difficulties in accessing the labour market, particularly for newcomers. Improved integration measures starting from the moment of arrival, as announced in the reform of the social assistance system, could help address this issue. As social assistance is to be made conditional on integration efforts, it will be crucial that these measures are accompanied by sufficient German language courses and training opportunities that are easily accessible and offer flexible arrangements in combination with childcare. Projects such as 'College 25+' serve as good examples in this regard, combining language skills with practical skills and individual counselling ([403]). In-work poverty is higher among non-EU nationals, who tend to work in unqualified, lower-paid jobs and are often overqualified ([404]). This group could benefit from reskilling programmes, better job-placement measures linked to housing

([400])Gasior (2025): Versteckte Armut? Das Armustrisiko von nicht-alleinlebenden Frauen in Oesterreich, Caritas.

([401])See Erweiterung des Arbeitskräftepotenzials, 2025.

([402])The shift in eligibility for people with subsidiary protection from higher minimum income (*Mindestsicherung*) to core social assistance (*Grundversorgung*) from 2026 in Vienna and Tirol risks worsening AROPE levels for this group and may weaken their incentives for labour market integration.

([403])See College 25+ | Die Wiener Volkshochschulen.

([404])OECD (2025), State of Immigrant Integration: Austria.

support ([405]) and support for the recognition of qualifications (see Annex 11).

Material and social deprivation has increased. In 2025, 261 000 people, or 2.9% of the Austrian population, were affected by SMSD. This represents a decline compared to the peak levels of 2023 and 2024 (3.7%) and is below the EU average (6.3%), but it is still a relatively high level for Austria for the past decade. The high levels of 2023-24 were driven by repercussions of the pandemic and inflation, especially in terms of higher energy, rent and food prices, which affected low-income households disproportionately. More than half of the rise in spending among people in the lowest income quintile relates to basic needs, putting already limited resources under significant pressure. Low incomes have failed to keep pace with rising living costs ([406]), as reflected in the increase in food bank use. In 2024, Tafel Austria supported 75 000 people, a rise of 114% compared with 2023 ([407]).

Inequalities in wealth and income are rising in Austrian society. The income gap between the highest and lowest quintiles (S80/S20) has increased since 2021 (4.00), reaching 4.35 in 2025, only slightly below the EU average. While the absolute difference is relatively small, the increase shows a worrying trend, contrasting with the overall improvement at EU level (4.98 in 2021 vs 4.62 in 2025). Inequality is also pronounced in the distribution of wealth, as the top 10% of society owned 63.928 of net household wealth in Q3-2025, which is the highest level in the euro area and which is also linked to features of the taxation system (see Annex 3). Without a wealth or gift/inheritance tax to facilitate a more equal wealth distribution, these trends may continue.

The situation of persons with disabilities has improved slightly, though leaving room for further improvement. After a marked increase in 2023 and 2024, SMSD declined to 5.4% in 2025. At the same time, 17.7% of people with disabilities were at risk of poverty or social exclusion (EU: 20.6%), a 5.8 pps difference compared with people without disabilities. Although a pilot programme for improved personal assistance at work exists, there is scope for further measures to help people with disabilities find work. Sheltered workplaces currently offer low pay and no access to social security benefits. Promoting equal pay and employment in the open labour market could help reduce poverty levels. The recent initiative on Inclusive Employment contributes to this, supporting the access of people with high support needs to the labour market with insurance coverage and fair wages. ([408]) Although a quota system for employing people with disabilities in companies is in place, only 23.9% of firms comply ([409]). The ability-to-work examination exempts people with a disability level above 50%, focusing on limitations rather than support needs ([410]). Exemptions are granted to people with disabilities under 25, accompanied by youth coaching. Targeted, conditional and activation-oriented exemptions could be considered for those over 25.

Coverage and costs of long-term care are characterised by significant regional disparities. Austria's long-term care (LTC) system is characterised by split powers between the federal level and federal states with regard to financing (mainly the federal level) and implementation (mainly the states and communes). The LTC provisions laid down in the Care Fund Act are only set out in general terms, leaving federal states with broad discretion for implementation. This results in a heterogenous system of LTC provision and related costs. Across the three broad LTC categories (residential care, home care and semi-inpatient care), coverage ([411]) in 2024 varied from 5.3% in Lower Austria to 10.3% in Vorarlberg (compared with 7% for the entire country). Similarly, the average number of hours of monthly mobile care per recipient varied from 7.5 hours in Tyrol to 22.5 hours in Vienna ([412]). Private costs can also vary substantially. In 2020, the national court of auditors ([413]) showed that the share of co-

([405])See AMS Forschungsnetzwerk - Housing Support Policies and Refugees' Labor Market Integration in Austria.

([406])Heitzmann et al., Kennzahlen zu Lebensbedingungen, 2025.

([407])See 2024 Jahresbericht, Die Tafel Österreich.

([408])The initiative is funded with 36 mn EUR by the government.

([409])European Semester 2025-2026 country fiche on disability equality - Publications Office of the EU.

([410])UN Convention of the Rights of Persons with Disabilities.

([411])Ratio of people over 60 compared with the number of recipients of LTC benefits.

([412])Fink, M. (ESPAN), Long-term care settings for older people in Austria, 2025.

([413])2020, Bericht des Rechnungshofes: Pflege in Österreich.

payments ranged from 31.5% in Salzburg to 80.7% in Styria. Differences in coverage and affordability have implications for the health and AROPE levels of care recipients. Among home care recipients, 74% (Vienna) and 71% (Upper Austria) of those with moderate needs lived below the national poverty threshold in 2024(EU average: 68%); compared with 77% and 36% respectively among those with severe needs (EU average: 74%) ([414]). Although both values have decreased, they are still above EU level. Differences in provision and costs incentivise the use of informal care, which can be of suboptimal quality, and risk overburdening acute care systems such as hospitals. LTC reforms in 2022-2024 prioritised staff shortages and improved financial benefits ([415]), with limited progress in harmonising coverage and affordability. Social economy care providers are a significant part of the care system and help tailor care delivery to people's needs, including in rural areas. A national needs-based approach linked to unified quality assurance, as suggested by the current government programme, could support the provision of better services. Shifting away from one-on-one care and stepping up the provision of community-based care and community nursing could help improve the cost-effectiveness of LTC.

Overall, energy and transport poverty remain low, but challenges are emerging. In 2025, 4.0% of the population were unable to keep their homes adequately warm, which is 4.8 pps below the EU average. This percentage has increased steadily since 2020 but stabilised in 2025. The EU emissions trading system for buildings and road transport (ETS2) will exert additional pressure. Heating expenditure is projected to rise by less than the EU average, reflecting households' relatively limited exposure to fuels covered by ETS2. From 2026, the Social Climate Fund will help mitigate these impacts through targeted energy efficiency investments, complemented by existing measures to combat energy poverty, such as energy cost subsidies and housing benefits ([416]). In terms of transport poverty, 6.1% of the Austrian population could not afford a car in 2024, slightly above the EU average. The regions of Burgenland and Oberösterreich, where approximately 12% of the population is at risk of poverty, have particularly poor public transport services ([417]) (see also Annex 19). Transport fuel expenditure is projected to increase in line with the EU average, driven by ETS2. Risks are likely to be concentrated among vulnerable households with limited alternatives. Improving the affordability and availability of public transport will therefore be essential. In areas with limited access, support could focus on zero-emission vehicle options, such as social leasing schemes.

([414])OECD (2026): Adequacy of social protection for long-term care Austria (Vienna). oecd.org,

([415])Notably, the increased family allowance is no longer deducted from the long term care allowance. A hardship supplement and a bonus for caregiving relatives have been introduced. Financial support for 24-hour care and support for substitute care have been stepped up.

([416])Based on Austria's final updated national energy and climate plan, https://link.europa.eu/nmRRHM.

([417])Data from the Commission's Transport Poverty Hub.

Addressing skills shortages, improving equity in childhood education, and reducing gender disparities in science, technology, engineering and mathematics (STEM) are key to strengthening Austria's educational landscape. The partial decline in basic skills and equity issues that begin in early childhood education and care (ECEC) also pose challenges for education outcomes, vocational education and training (VET), school-to-work transitions and lifelong learning. Continued investment in ECEC, with a focus on quality, and efforts to tackle staff shortages at all educational levels and ensure adequate resources, could contribute to tackling these challenges. Skills shortages remain widespread. To counteract them, comprehensive policy efforts should promote upskilling and reskilling to meet labour market needs, accompanied by targeted outreach measures aimed at under-represented groups, in particular low qualified people, and by measures to reduce gender disparities in STEM education. In 2025, the country-specific recommendations addressed to Austria called for raising the levels of basic skills, starting from an early age, and stepping up the provision and acquisition of skills and competences needed for the green transition.

Amid rising enrolment rates, the quality and availability of ECEC remains insufficient and is uneven across the territory ([418]). In 2024, enrolment in ECEC for children aged three until compulsory primary education stagnated (-0.5 percentage points (pps)) at 90.7%, remaining below the EU average (95.0%). Enrolment continues to be marked by regional differences, with the lowest rate reported in Styria (83.3%), and the highest in Lower Austria (97.5%). As regions and municipalities are responsible for providing ECEC services in Austria, quality and availability differ across institutions and regions. Participation among children under three is still significantly below the EU average in 2025 (30.9% vs 40.5%) but is approaching the national Barcelona target of 31.9% following increases in recent years ([419]). Since 2014, the rate has increased by 8.6 pps, although this is slower than the EU average (10.6 pps).

Staff shortages limit the scope for expanding ECEC places and services. Recent studies identify shortages of more than 20 000 trained staff by 2030 ([420]). Students can opt for a career in ECEC at an early age (15 years) and are given the right to access higher education upon completing secondary education. However, about half of graduates never enter the profession but pursue alternative career paths after graduation ([421]). To address shortages, the government has adopted an information campaign and a comprehensive training initiative to increase training places and launch new training pathways across all relevant institutions within the ECEC sector. Moreover, universities of applied sciences aim to increase the number of people training for the ECEC profession (by at least 100 entrants per year, over a period of three years ([422]).

The limited financing capabilities of municipalities further constrain the availability and quality of ECEC. Municipalities have limited opportunities to generate own resources. Yet, on average, they covered around 72% of costs of ECEC over the past decade, while state and federal funding accounted for the remainder. In the period 2022/23 to 2026/27, a funding agreement between the federal government and the federal provinces supports ECEC services with EUR 1 billion annually and between 2024-2030, under the *Zukunftsfonds* ([423]), around EUR 550 million per year in additional resources is made available to fund additional places and improve quality. The coalition agreement envisages the establishment of compulsory quality standards. Planned measures to further extend ECEC and to improve quality are expected to lead to EUR 7.1 billion in additional funding between 2024 and 2030 ([424]). This reduces municipalities' contributions to 64% by

([418])CSR 2025.5.2: 'and the full-time labour market participation of women, including by improving quality and availability of childcare services'.

([419])Eurostat EU-SILC and national statistics can diverge, as the former are survey-based and the latter register-based. National data also reveal significant regional differences.

([420])Köppl-Turyna, M. - Graf, N., Studienbericht. Kosten einer Kinderbetreuungsgarantie. Wien, 2023.

([421])Wirth, K, et al., Personalknappheit im Bereich der Elementarpädagogik, KDZ, 2023.

([422])BMB, Sonderrichtlinie für die Förderung von Studienplätzen „Elementarpädagogik", 2025.

([423])Bundesministerium für Finanzen, Raab/Brunner: Gelder für die Kinderbetreuung. 2024.

([424])Städtebund, Quo vadis elementare Bildung?, 2024.

2030. However, increasingly strained finances of local authorities remain a major bottleneck for expansion ([425]). Yet, there is still scope for further measures.

Austria is taking measures to improve basic skills amid pronounced inequalities ([426])**.** While the share of top performing students exceeds the EU averages across subjects, underperformance has been growing since 2012([427]) and is significantly influenced by students' socio-economic and migration background (see Country Report 2025). Regarding digital skills, Austrian students, on average, outperform their peers across the EU. However, also here, performance differs by gender and socio-economic and migration background. Low performance in basic skills accumulates and can hamper intergenerational mobility ([428]). The 2023 UN monitoring of the Convention on the Rights of Persons with Disabilities reveals that progress in inclusive education is insufficient. The inclusion rate in schools has been stagnating for years and remains at around 63%. An overall strategy in this area is lacking. In addition, OECD Talis 2024 identified Austria as having a distinctively low rate of inclusion in schools (8.1%; EU average: 50.2). The rate of young people leaving school early has increased steadily over 10 years to 10.0% and remains above the EU average (9.3%) with a particular recent increase among native born. It is noticeably higher in cities and among foreign born pupils. At 48.8%, the share of students with a migrant, and often also disadvantaged, background is high and rising ([429]), so there is a need for more support and more teaching staff, including to help address language barriers. In 2025, the government adopted an innovative model to distribute resources based on the socio-economic profile (*"SÖL" classification*) a promising approach ("Chancenbonus" programme) supported by stakeholders and social partners. Moreover, to strengthen learning outcomes, in 2025, Austria launched the online platform 'Digitale Drehtür' supporting all but especially talented students. Since 2024, to further support well-performing students, Austria has launched several initiatives that offer individualised learning. Austria has also strengthened its monitoring practices with the new quality management system QMS 2.0, which helps teachers and schools to improve teaching and learning ([430]). Early tracking at the age of 10 remains a major structural hurdle.

Teacher shortages remain significant, also due to high attrition rates. Between 2014/2015 and 2022/2023, teacher attrition rates at the primary and secondary levels nearly doubled from 3.2% to 6.2%, in equal parts due to retirement and voluntary exit. 58% of teachers leave with less than five years of experience ([431]). In 2022/2023, 4 778 positions in primary and secondary education, or 4.6% of all teaching positions, were vacant. At the same time, the share of teachers occupying positions for which they are not fully qualified has risen from 2.4% to 5.7%. The ageing teacher workforce and the declining number of student teachers further exacerbate shortages (see Country Report 2025). While salaries are attractive, teachers face challenging environments and lack support. Austrian teachers are more satisfied with their salaries than their EU peers (71.9% vs 37.3%) ([432]). However, stress has increased since 2018 due to problems with classroom discipline and administrative burden. Austria has one of the highest shares of teachers in schools with more than 10% of students that are not native speakers of the teaching language (62.6%; EU average: 24.4%). However, only 16.8% (EU average: 15.4%) of these teachers report connected learning needs. Participation in impactful professional learning declined between 2018 and 2024, from 79.6% to 40.7% (EU average in 2024: 56%).

Austria has adopted various initiatives and reforms to make the profession more attractive, improve working conditions and increase the supply of teachers. Under the 'Klasse Jobs' department strategy, the Ministry of Education conducts several activities to attract young talent and to motivate professionals from other disciplines to pursue a career in teaching.

([425])Mitterer, K., Durch Finanzausgleichsreformen Handlungsräume der Gemeinden sichern, 2025.

([426])CSR 2025.5.4: 'and raise the levels of basic skills, starting from an early age, notably at school level'.

([427])In the 2022 OECD PISA survey, 24.9% of 15-year-olds underperformed in mathematics, 25.3% in reading and 22.7% in sciences.

([428])Produktivitätsbericht der Regierung imfname_1665036.pdf.

([429])OECD, PISA 2022, Table I.B1.7.5. and Table I.B1.7.6.

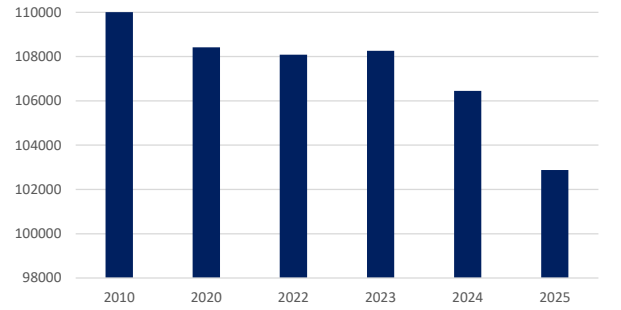
([430])European Commission, Education and Training Monitor, 2025.

([431])OECD, Education at a Glance 2025: Austria.

([432])OECD, Results from TALIS 2024.

The recently reformed initial teacher training aims to improve the attractiveness of teaching by allowing faster graduation at the bachelor's level. In 2024/2025, a competence profile for teachers was developed ([433]), also to be used in quality mapping. The 2025-2029 government programme plans a stronger link between teacher education and practical challenges. To increase teachers' wellbeing in schools and help them face difficult situations, special measures are being introduced, such as violence prevention. Moreover, administrative processes, including recruitment, have been digitalised for central access in a decentralised administrative structure.

Graph A13.1: **Number of apprentices in Austria**



Source: Lehrlingsstatistik, WKÖ

Austria's VET system performs strongly but faces structural challenges and fewer training opportunities. The share of upper secondary students enrolled in medium-level VET continues to be well above the EU average (70.1% vs 52.9% in 2024). In 2024, 84.7% of recent VET graduates (20-34) had participated in work-based learning (EU average: 65.2%) and 85.3% were in employment (EU average: 80.0%), reflecting the generally strong performance of the VET system. However, on a structural level, declining basic skills of pupils and decreasing incentives for employers to invest in training risk hampering competitiveness. Since 2010, the number of apprentices has diminished by almost 21% (see Graph A13.1), and the number of training companies has dropped by nearly one third ([434]). Simultaneously, though two thirds of apprentices experience very good framework conditions, some challenges to the quality of training exist. Some apprentices report weak supervision, limited documentation of training, and tasks unrelated to their occupation, while digitalisation in training companies remains low, with only 18% of apprentices being exposed to digital tools ([435]). And even though the number of applications has been declining for over a decade, there were fewer apprenticeships than applicants in 2025 ([436]). This gap might increase further in light of the increasing demand for VET skills and the projected high numbers of future enrolments ([437]); resources for VET schools, notably on school-based training, may need to be increased accordingly. Moreover, notable regional disparities exist in the availability of apprenticeship opportunities. In Vienna, for over seven apprenticeship seekers, there was only one vacancy available, whereas in Upper Austria, there were two positions available for each interested applicant ([438]).

Recent measures aim to better align the VET system with labour market needs and strengthen the provision of skills and competences. The entry into force of the Federal Act on Higher Vocational Education and Training in May 2024 enables further alignment with the labour market and establishment of new higher VET modules and qualifications. According to the Austrian Economic Chamber, up to 2.4 million skilled workers could benefit from higher vocational qualifications. Several curricula changes in VET have been implemented since 2022 ([439]) and in 2025 the Green Skills Competence Centre was created to increase synergies among VET providers investing in greening. The higher professional qualification 'Technical Consulting for Energy Efficiency' entered into force in 2025. Moreover, the public employment service (PES) subsidises inter-company training for unplaced applicants (5% of total apprentices). The 'AusbildungsFit' project funded by the European Social Fund Plus (ESF+) supports vulnerable young people in accessing training and employment. The apprenticeship system could be strengthened by improving monitoring and provision of basic skills in schools (including VET schools), access to education and training for people with a migrant

([433])BMB: Berufsbild für Lehrer*innen, 2025.

([434])AMS, Die Lehrausbildung am österreichischen Arbeitsmarkt.

([435])Arbeiterkammer, Lehrlingsmonitor 2026.

([436])ibw, Lehrlingsausbildung im Überblick 2024.

([437])See Statistik Austria, 2025.

([438])ibw, Aktuelle Daten und Fakten zur Lehrlingsausbildung in Österreich, ibw research brief, 2025.

([439])CEDEFOP, Green transition in VET.

background, quality control of education ([440]) and apprenticeships ([441]), and psycho-social support.

Austria has implemented reforms to boost STEM enrolment in VET, though gender disparities persist. In 2024, 39.5% of medium-level VET students were enrolled in STEM fields, well above the EU average (36.6%). 15.3% were women, slightly below the EU average (15.9%). To address this, Austria's PES supports women pursuing VET in high-demand fields like construction and engineering. Several governmental initiatives under the new industrial strategy aim to increase STEM enrolment ([442]), such as the STEM quality seal ('MINT-Gütesiegel') for kindergartens and all schools or the STEM Regions ([443]) quality seal, which aims to build regional networks across federal states, engaging children with STEM, in particular girls.

Tertiary educational attainment is increasing, but regional disparities remain. In 2025, 43.7% of young people (25-34) held a tertiary education degree, with women being more likely to hold one. While approaching the 45% EU-level target, disparities persist between regions, spanning from 36.6% in Vorarlberg to 51.1% in Vienna. This difference is due to the location of universities and when they have been established, geography, economy and demographics. In 2023, STEM enrolment among tertiary students was at 29.3%, surpassing the EU average of 26.9%, but still below the proposed EU target of 32%. 52.1% of STEM students are enrolled in engineering, with 46.7% at PhD level. Austria aims to raise female participation in STEM fields to 38%, up from only 32.5% in 2023 ([444]). Women are particularly under-represented in information and communications technology (ICT), accounting for only 21.4% of doctoral students in this field. Austria started to formulate a higher education strategy for 2040. It aims to create an educational and scientific environment favouring innovation and excellence by recognizing and promoting diversity, the social dimension, and cooperation among higher education institutions. Initiatives to increase women's participation in STEM occupations include a planned extension of the women's fund 'Let's Empower Austria', which organises workshops, seminars, projects and events to inform women about career offers.

Skills shortages in Austria persist, highlighting the need for a comprehensive approach. Amid wider labour shortages, a WKÖ survey from March/April 2025 revealed that 56% of surveyed companies struggled to fill vacancies for skilled workers. In particular, the recruitment of skilled tradespeople (42%) is proving difficult ([445]). Moreover, by 2030, most job openings in Austria are expected to require medium-level qualifications, primarily in VET ([446]). Next to skills shortages, relatively high labour surpluses persist, in particular in occupations at risk of displacement due to automation and digitalisation ([447]). In addition, 80% of companies reported greater difficulties filling positions that require the completion of apprenticeships ([448]). Upskilling and reskilling, along with attracting skilled talent from abroad, can help mitigate shortages and meet labour market needs ([449]). Many non-EU workers, however, are overqualified (41.2%) compared to Austrians (24.3%) and other EU nationals (34.6%), as procedures in Austria for recognizing foreign qualifications from outside the EU are often decentralized. The timely and transparent recognition of foreign qualifications can facilitate the integration of skilled migrant workers into the labour market, enabling them to contribute in roles that match their expertise. Additionally, targeted investments in VET, enhanced quality assurance mechanisms, and incentives for small to medium-sized enterprises to expand training programmes could help mitigate skills gaps. Promoting age-inclusive workplace policies and adapting job roles to the needs of older workers may also help companies retain experienced professionals, preserving their skills within the labour force. In Austria, tools such as the Job Barometer and the employer-driven Skilled Labour Radar provide data on occupational trends and skills requirements. While skills intelligence foresight is conducted

([440])Rechnungshof, Bestandsaufnahme Fachkräftemangel, 2024, p. 56.

([441])Arbeiterkammer, Lehrlingsmonitor 2026.

([442])BMWET, Industriestrategie Österreich 2035, 2026.

([443])Home- MINT Regionen, European Commission, Education and Training Monitor, 2025.

([444])See Eurydice, National reforms in higher education.

([445])IBW, Arbeits- und Fachkräftemangel in Österreich 2025.

([446])CEDEFOP, Future employment needs.

([447])EURES, Report on labour shortages and surpluses 2024.

([448])WKÖ, Fachkräfte-Radar, 2025.

([449])Rechnungshof, Bestandsaufnahme Fachkräftemangel, 2024.

systematically (by Synthesis Forschung) and the Job Barometer allows for comparison among the *Länder*, a register of occupations is lacking.

With the transition of its economy, Austria is experiencing a rising demand for green and digitals skills ([450])**.** Austria aims to achieve net-zero emissions in electricity production by 2030 and full climate neutrality by 2040. While a large share of future green jobs will be created by adapting existing jobs, the areas of lifelong learning experiencing the greatest increase in importance are artificial intelligence (71%), future technologies / green jobs (57%), and IT skills (50%) ([451]). Labour shortages in sectors relevant to the green transition are particularly high in construction (5.9%), transportation and storage (4.0%), manufacturing (3.1%) and energy (2.7%). High digital skills levels co-exist with persistent gaps across age, education and employment status. Austria boasts a high level of digital proficiency, with 69.7% of its population having at least basic digital skills in 2025, significantly above the EU average of 60.4%. Austria's workforce also includes a higher proportion of ICT specialists (5.3%) compared to the EU average (5.0%). However, fewer digital skills are found among older people (55-64), at 63.02%. Digital skills are also lower among people with low qualifications, unemployed people and people outside the labour force.

Amid socio-economic disparities and declining basic skills, Austria faces challenges in meeting its 2030 adult learning target. In 2022, 52.2% of adults (25-64) participated in training, well below Austria's 2030 national target of 62%. Even though this was above the EU average of 39.5%, it represents a decline by 3.1 pps since 2016. Though more recent labour force survey data point to an increase in participation among 25–64-year-olds between 2022 and 2024, participation in adult learning events organised by the 10 largest adult learning providers remains well below 2019 levels, according to KEBÖ 2024 data. About 26.7% of adults with only compulsory education report having participated in informal training in the past year, compared with 49.7% of those who completed vocational education. This highlights socio-economic inequalities in taking up training. In addition, basic skills among adults, as reported in PIAAC, have been deteriorating, particularly in reading (see Country Report 2025).

To address these challenges, Austria has launched several initiatives. The 'Level-Up Adult Education' programme, co-financed by the ESF+, provides free and quality-assured basic skills classes for adults as well as courses leading to a compulsory school leaving certificate. However, it lacks the provision of language classes. Improving access to childcare, especially in rural areas, and ensuring adequate coverage of language training in all *Länder* can help to remove inequalities in access to training. However, flexible upskilling and reskilling pathways such as '*du kannst was'* do not cover all federal states. Amid high skills shortages and rising unemployment, there is space to further strengthen upskilling and reskilling, notably among low-skilled people, unemployed people, older workers and people with a migrant background. Improving the cooperation between the federal and the state levels to develop the 'LLL-Strategy 2040', with the involvement of social partners and an increased focus on shortage occupations, can support competitiveness in the medium term.

([450])CSR 2025.5.5: 'Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.'

([451])PbEB, Weiterbildungsstudie, 2025.

Table A14.1:**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, 2025)	10.0
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	69.8
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	10.3
	Gender employment gap (percentage points, population aged 20-64, 2025)	6.8
	Income quintile ratio (S80/S20, 2025)	4.35
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	77.6
	Unemployment rate (% of the active population aged 15-74, 2025)	5.7
	Long term unemployment (% of the active population aged 15-74, 2025)	1.3
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	102.8
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	18.8
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	25.3
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	32.8
	Disability employment gap (percentage points, population aged 20-64, 2025)	18.8
	Housing cost overburden (% of the total population, 2025)	6.5
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	30.9
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	0.9

Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. 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 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

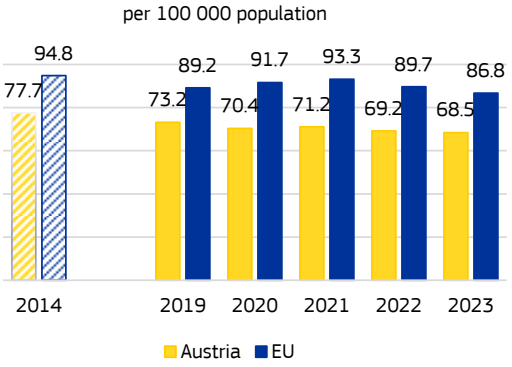
Source: Eurostat

Austria's health system performs comparatively well, with a relatively low rate of avoidable mortality. However, the 2025 country-specific recommendation (CSR) highlighted challenges in improving the fiscal sustainability and cost-effectiveness of healthcare, and streamlining hospital infrastructure. In addition, Austria faces shortages of healthcare workers. These challenges need to be addressed if the country is to ensure the health of its population, social fairness and productivity.

Life expectancy at birth in Austria remained higher than the EU average in 2024. As in other EU countries, women in Austria can expect to live longer than men (4.7 years longer). That said, they can only expect to live around 0.2 years longer than men in good health. At age 65, the healthy life expectancy is higher than the EU average, and the prevalence of multimorbidity (the presence of multiple chronic conditions in patients) is lower than the EU average. Austria fares comparatively well in avoiding deaths from treatable causes. The rate of avoidable hospital admissions for conditions that are sensitive to management at outpatient care level was 14% below the EU average in 2023 ([452]). In the same year, diseases of the circulatory system ('cardiovascular diseases') and cancer were the leading causes of death. The mortality rate from cardiovascular diseases was higher than the EU average, while the cancer mortality rate was lower than the EU average. However, cancer cases are projected to rise significantly by 2040: by 23%, which is higher than the 18% increase projected across the EU. Despite falling since 2014, the suicide rate was above the EU average in 2023.

Austria prioritises disease prevention but there is scope to increase efforts. The share of spending on prevention stood at 4.3% of Austria's total health expenditure in 2023, above the EU average of 3.7%. While the rate of preventable mortality is lower than the EU average, it trails the rate in countries in Western Europe. Around one quarter of deaths in Austria are linked to behavioural risk factors, with Austria having among the highest levels of alcohol consumption and the highest smoking rates in the EU. Alcohol consumption is linked to 11% of preventable deaths, yet there are no large-scale national programmes targeting alcohol abuse, with interventions limited to regional initiatives. Similarly, initiatives to prevent cardiovascular diseases are limited to pilot programmes in federal states, in the absence of national comprehensive strategies. Uptake of breast cancer screening is much lower than across the EU. The obesity rate among adults is above the EU average, while overweight and obesity rates among adolescents increased by over 50% between 2010 and 2022 ([453]), raising concerns about the prevalence of diabetes and cardiovascular diseases in the future.

Graph A15.1: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

Population ageing is expected to exert considerable pressure on Austria's health system, highlighting the importance of strengthening preventive measures. According to the 2024 Ageing Report ([454]), public spending on health in Austria is projected to increase by 1.7 percentage points (pps) of GDP by 2070 under a 'no healthy ageing' scenario. However, this could be limited to 0.6 pps of GDP under a 'healthy ageing' scenario, highlighting the importance to increase efforts in the prevention of non-communicable diseases to support the sustainability of the health system (see Annex 2), and in turn address the 2025 CSR. Austria participates in joint actions funded by EU4Health, such as PreventNCD ([455]) and EUCanScreen ([456]),

([452]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Austria. State of Health in the EU.*

([453]) *Country Health Profile 2025: Austria* – see earlier footnote.

([454]) 2024 Ageing Report. Economic and Budgetary Projections for the EU Member States (2022-2070). Brussels, doi:10.2765/022983.

([455]) JA PreventNCD - Reducing Europe's cancer and NCD burden through coordinated strategies on health determinants.

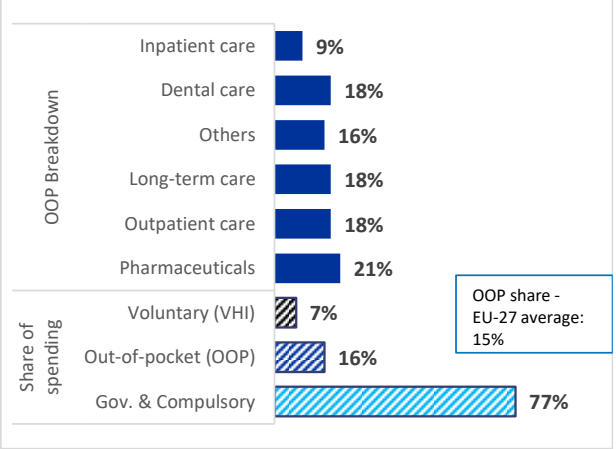
aimed at reducing the burden of non-communicable diseases. Strengthening disease prevention is also among the priorities of the 2024-2028 health reform package. This directs additional funding into health promotion and disease prevention programmes, including the nationwide roll-out of early childhood intervention programmes for pregnant women and young parents under Austria's recovery and resilience plan (RRP). The reforms also aim to integrate preventive services, such as routine health checks, into the primary healthcare centres. To improve vaccination rates, the government has been removing financial barriers, making freely available the influenza vaccinations for all residents and the vaccination for the human papillomavirus (HPV) to everyone up to age 21.

Health spending in Austria is skewed towards inpatient hospital care. In 2023, 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 reflects a persistently high number of hospital beds (589 per 100 000 population in 2023, much higher than the EU average), despite a reduction in recent years. Reliance on hospital-based care is evidenced by high volumes of elective procedures such as hip and knee replacements, which are 39% and 51% respectively above the average EU levels ([457]). However, the occupancy rate of hospital beds remains low (69.2% in 2023) suggesting an inefficient allocation of resources. The publicly financed share (as percentage) of total health expenditure in Austria was below the EU average in 2023. Consequently, the share of households' out-of-pocket payments for healthcare was higher than the EU average, relating mainly to costs for outpatient medicines, long-term care, dental care and increasing payments to private doctors who are not contracted with social health insurance (SHI). This reliance on private expenditure raises concerns about the emergence of a two-tier system with potentially negative impact on equitable access to healthcare, if publicly-funded capacity is not expanded.

([456]) EUCanScreen - Implementation of cancer screening programmes.

([457]) *Country Health Profile 2025: Austria* – see earlier footnote.

Graph A15.2: **Out-of-pocket payments: share in healthcare spending and categories, 2023**



Household out-of-pocket payment: direct payment for healthcare goods and services from the household primary income or savings, where the payment is made by the user at the time of the purchase of goods or the use of the services (Eurostat). VHI: voluntary health insurance.
(1) Others: eyeglasses, hearing aids, lab tests...
Source: Eurostat and Country Health Profiles - Dashboard

Reforms aim to strengthen cost control and shift the spending balance from hospital to outpatient care, but there is scope for further changes. Pharmaceutical expenditure in inpatient settings is growing, driven by increased use of high-cost specialised medicines. As part of the 2024 health reform, the Federal Appraisal Board was established with the task of evaluating high-priced and specialised medicines used in hospitals. In this context, a national negotiation team has been established to negotiate prices for medicines assessed by the Appraisal Board. For the time-being though, the final responsibility for procuring medicines remains with the hospitals. Furthermore, the uptake of generic medicines in Austria is relatively low, limiting the scope for savings in pharmaceutical expenditure. Changes have been implemented to the diagnosis-related groups model, aiming at reducing the provision of supply-induced inpatient services and enhancing the attractiveness of outpatient care. As part of other reform measures, the national health hotline (1450) will become a key entry portal for the health system, serving as a triage tool and guiding patients to the appropriate levels of care. Video consultations will be expanded as a first line of patient contact before in-person visits. In November 2025, the government established a health reform fund with EUR 500 million annually for 2026 to 2030. The aim is to modernise the health system, focusing on expanding the number of primary healthcare centres (112 in the

Table A15.1:**Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	230.5	224.7	226.1	221.2	n.a.	0.89	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	361.0	343.3	346.6	333.4	n.a.	0.80	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	4 095	4 789	4 834	4 901	5 192	1.42	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	76.4	77.8	77.2	76.7	76.3	1.04	80.6 (2023)
Spending on prevention, % of current health expenditure	3.2	10.4	7.5	4.3	n.a.	2.02	3.7 (2023)
Available hospital beds per 100 000 population***	636	620	600	589	n.a.	0.89	440 (2023)
Doctors per 1 000 population*	5.3	5.4	5.4	5.5	5.6	1.14	4.3 (2023)*
Nurses per 1 000 population*	10.3	10.7	10.7	10.3	n.a.	1.57	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	13.4	14.1	13.6	13.7	13.6	0.92	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	8.8	8.8	10.5	11.3	11.8	n.a.	20.3 (2024)

*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 2023 data (or latest available). 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 Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.
** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.
***'Available hospital beds' covers somatic care, not psychiatric care.
Source: Eurostat

beginning of 2026) to 255 within five years and extending their opening hours, to avoid unnecessary referrals to specialist or hospital-based care. Austria has requested technical support as part of a multi-country project under the Technical Support Instrument. Through this project, Austria will apply health system performance assessment methods to identify areas of suboptimal performance and improve resource allocation.

A shift towards community-based care is emerging, but accompanying this shift with more flexible budgetary rules could be beneficial for the country. Between 2018 and 2023, the hospital admission rates for chronic conditions such as diabetes and chronic heart failure declined much faster than across the EU. During the same period, there was a 16% decline in the overall inpatient discharges ([458]). These, together with the ongoing establishment of multi-disciplinary primary healthcare centres (supported by Austria's RRP), point to a gradual shift away from hospital-centred care. This direction of change could contribute to improving the cost-effectiveness and fiscal sustainability of healthcare, and the use of hospital infrastructure, thus could contribute to addressing the 2025 CSR. However, SHI funds remain obliged to pay a fixed budget to hospitals, even if inpatient activity is reduced, which counters the potential for better cost-effectiveness and fiscal sustainability.

Shortages and uneven geographical distribution of health professionals cause concerns over access to healthcare. The density of doctors and nurses in Austria is well above the EU average. However, this masks imbalances in specialty and geographic distributions, as well as the level of capacity required to meet the expected rise in healthcare demand. On average, there are 551 practising doctors per 100 000 population, but densities range from 705 in Vienna to 446 in Upper Austria ([459]). The share of general practitioners (GPs) is low and dropped from 16% of all doctors in 2010 to 13% in 2023. This has led to shortages of GPs, leaving many SHI-contracted posts unfilled, mainly in rural areas. The overall number of doctors who are SHI-contracted has more or less stagnated in 2000-2023. That said, the number of private doctors who are not SHI-contracted more than doubled during the same period and has exceeded the number of SHI-contracted ones. This shift in balance towards non-SHI-contracted private practice intensifies geographic and socio-economic imbalances and drives variation in waiting times for accessing healthcare. Evidence indicates that shorter waiting times are associated with having supplementary private health insurance ([460]). Moreover, around 34% of doctors are aged 55 and over, and only around 20% are aged below 35,

([458])*Country Health Profile 2025: Austria* – see earlier footnote.

([459])*Country Health Profile 2025: Austria* – see earlier footnote.

([460])Kraus, M., Stacherl, B., Czypionka, T., & Mayer, S (2024). Equal waiting times for all? Empirical evidence for elective surgeries in the Austrian public healthcare system.

raising concerns about the long-term accessibility of health services. There are similar challenges regarding the adequacy of nursing supply in the context of a surging future demand driven by population ageing and the shift to community care. The government estimates that around 51 000 new nursing staff will be needed by 2030 compared to 2023, to replace retired staff and meet additional care needs due to population ageing ([461]). Improving working conditions and training opportunities for health professionals are among Austria's health reform priorities. A new specialty in general and family medicine is starting in 2026, while start-up incentives of up to EUR 100 000 will be available to attract doctors to unfilled SHI posts in underserved areas. Under the RRP, Austria implemented measures to make primary healthcare more attractive to GPs and to other health and social care professionals, and also posted 150 community nurses nationwide. Additional measures for boosting nursing capacity include training allowances and scholarships to attract new entrants and people wanting to change careers to the nursing profession, as well as measures to accelerate the recognition of foreign qualifications. A monitoring tool is being developed to precise health workforce shortages and plan health workforce capacities across the country.

Austria has been investing consistently in digital technologies for health, yet their uptake is rather slow. Austria is among the leading EU countries for capital investment in digital health infrastructure. Since 2015, the amount invested annually, expressed in EUR million per 100 000 population, has been three to four times the EU average. Despite the above-average overall technical deployment of electronic health records in Austria (see Annex 7), their use by the public is comparatively low. In 2024, the share of people accessing their personal health records online was below the EU average. Furthermore, the share of the population using online health services (excluding phone) instead of in-person consultations was among the lowest in the EU. The 2024-2028 health reform package aims to boost the digital transformation of the health sector, earmarking EUR 51 million annually to implement a range of measures including (i) offering appointment-booking services via the national health hotline 1450; (ii) establishing digital services (for example, video consultations) as first line of patient contact with the health system; (iii) making it obligatory for all outpatient care providers, including private non-SHI-contracted doctors, to use the national electronic health record system (ELGA) from 2026 onwards; and (iv) setting up a platform for the secondary use of health data ([462]). In addition, Austria's RRP includes investments to develop an 'electronic parent child pass platform', which consists of electronic documentation and a communication platform for simplified access to test results for healthcare practitioners and parents, in particular from socially disadvantaged families. Moreover, 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. The achievement of these measures could improve the access to and cost-effectiveness of healthcare services, which could contribute to addressing the 2025 CSR.

Austria's pharmaceutical sector holds considerable economic importance. The share of employment in pharmaceutical manufacturing is higher than the EU average. Clinical research capacity is strong and, in 2024, the number of clinical trials per million population in Austria (22.8) was above the EU average of 18.3 ([463]). Investment in research and development by Austria's pharmaceutical industry has increased since the onset of the COVID-19 pandemic ([464]). In 2024, the number of patents granted for pharmaceuticals per million population in Austria (1.7) was on a par with the EU average (1.8) ([465]). Regarding trade and commercialisation, in 2025 the share of exports to non-EU countries from Austria's pharmaceutical industry (13.2%) was close to the EU average (13.9%).

([461])GÖG (2023). Pflegepersonalbedarfsprognose Update bis 2050 (Care staff demand forecast for Austria).

([462])This typically refers to the reuse of health data for research, innovation, public health, policymaking and personalised medicine.

([463])US National Library of Medicine, https://clinicaltrials.gov.

([464])The Pharmaceutical Industry in Figures, EFPIA (European Federation of Pharmaceutical Industries and Associations).

([465])European Patent Office: Statistics & Trends Centre | epo.org.

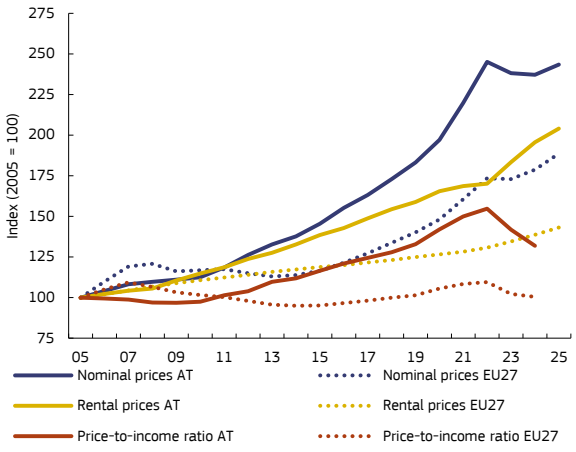
Austria has a strong affordable rental sector, yet there are relevant regional and sectoral differences. Austria has the second-highest tenancy rate in the EU with 45% of the population. Social housing (including municipal, limited-profit and cooperative housing) makes up 24% of the total housing stock and is accessible to both low- and middle-income households. Vienna is the region with the highest proportion of rental housing with 78% ([466]), about half of which is social housing. While rents in the capital region are slightly above the national average, they are highest in the Alpine regions. Furthermore, new rental contracts are more expensive than existing ones, especially in the private rental market. The increasing proportion of more expensive fixed-term contracts make rents even less affordable.

After increasing sharply until 2022, house prices have fallen slightly, while the supply of new housing is stagnating. House prices have increased over the last decade, but this trend halted in 2022. While the housing stock has been increasing slightly over the past years, the number of completed constructions decreased by 27% between 2021 and 2024 ([467]). Similarly, the number of building permits issued has halved since 2021.

Housing market developments

House prices in Austria halted their strong increase in 2022 but rents continued to rise, particularly for new contracts. House prices had been increasing strongly since 2010, outpacing both inflation and house prices in the EU. However, in 2022, rising interest rates led to reduced demand for housing purchases, with sales and prices eventually falling in 2023 and 2024. In 2025, house prices started to recover, growing at 2.6% year-on-year, without regaining their pre-2022 growth rates. The price-to-income ratio is still 35% above its 2010 level, among the highest increases in the EU. House and flat prices per square metre are highest in Vienna, Vorarlberg, Tyrol and Salzburg (see Annex 19). Average rental prices (including existing and new rental contracts) increased more slowly than house prices, as existing rental contracts, sometimes concluded decades ago, keep the average down. In 2024, rental contracts concluded less than two years ago were 86% more expensive per square metre than old rental contracts concluded over 30 years ago ([468]). Long-term rental contracts are common in Austria, with 11% of rental contracts having been concluded more than 30 years ago. The proportion of relatively expensive fixed-term contracts is high among new contracts. Such new rental contracts are putting pressure on new entrants in the housing market, many of whom have modest economic means, e.g. students, young families and recent immigrants.

Graph A16.1: **House prices, rents and price-to-income evolution in IT and EU27 since 2005**



Source: Eurostat

Construction activity has dropped sharply since 2022 while construction costs have been rising. Having declined by over 50% since 2021, building permits dropped to the lowest level of the past 20 years in 2025 (see Graph A16.2). Investment in dwellings as a percentage of GDP has been rising steadily since 2011 and has exceeded the EU average since 2013. It peaked at 6.7% in 2022 before decreasing to 5.3% in 2025 as housing demand was negatively affected by the strong increase in construction costs since 2021 and the increase in financing costs since 2022. Producer prices for residential buildings increased by 33% between 2020 and 2023. This increase was partially driven by the increase in input costs, as reflected by the 22% increase in

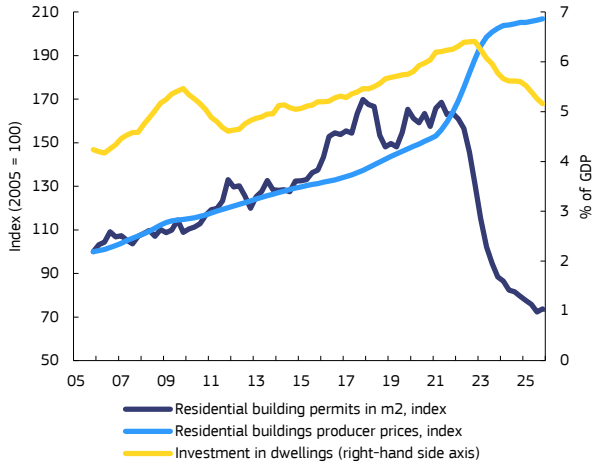
([466])Statistik Austria, Mikrozensus Wohnen 2024, https://www.statistik.at/fileadmin/publications/Wohnen_2024_Web-barrierefrei.pdf.

([467])https://oenb.shinyapps.io/wohnimmobilien_dashboard/.

([468])https://www.statistik.at/statistiken/bevoelkerung-und-soziales/wohnen/wohnkosten

the construction costs index. However, declining productivity and contractors' rising profit margins also play a role. Labour productivity per hour worked in construction has been falling since 2005. Moreover, demanding – but not legally binding – common market practice for construction (*anerkannte Regeln der Technik*) is driving up costs ([469]). Compliance requirements prevent construction companies from departing from established technical standards, even when some of those standards merely serve comfort-related purposes like noise reduction.

Graph A16.2: **House supply indicators in AT since 2005**

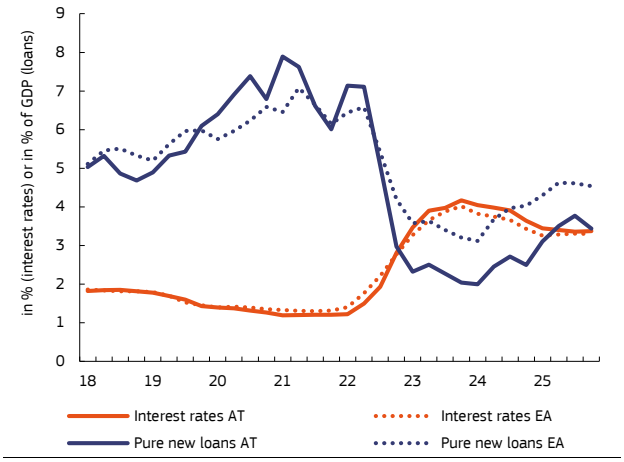


Source: Eurostat

Demand for purchasing housing fell steeply in 2022 and 2023 amid rising interest rates but showed signs of recovery in 2025. New housing loans as a percentage of GDP dropped from 7% in 2021 to 2.3% in 2023. This drop is more pronounced than in the euro area. One factor contributing to the decline in housing loans was the introduction of a mortgage regulation (the *KIM Regulation*) in early 2022 that limited the loan-to-collateral ratio to 90% and mortgage payments to 40% of household income. The regulation expired in July 2025, contributing to the recovery. The market saturation in some pricier segments may also have played a role in dampening demand after years of strong investment. The drop in demand helps to explain the sudden halt in the rise of house prices (see Graph A16.1).

([469])Übersicht Gebäudetyp E: Pro und Kontra der Einfach-Bau-Initiative | bauingenieur24.

Graph A16.3: **Borrowing costs and housing loans, in AT and EA since 2018**



Source: Eurostat

Structural policies

Austria has a dedicated legal framework for limited-profit housing, which is the basis for its regulated rental market and contributes to affordable rents. The Limited-Profit Housing Act from 1979 is the basis on which 182 limited-profit housing associations let and manage 997 000 housing units ([470]). These housing associations must set rents on a cost basis and have to reinvest their profits. Thus, limited-profit housing brings down average rent prices and there is evidence that it also has a price-dampening effect on the private rental market ([471]). Limited-profit housing can also benefit from special zoning criteria. Vienna has introduced a zoning code for social and limited-profit housing that applies to all newly zoned buildable land of at least 5 000 m². On this land, two thirds of the newly built living area should provide affordable housing. The objective is to counter excessive growth in land prices and ensure that sufficient area for affordable housing is available.

A housing and construction package was adopted in 2024 to create more affordable housing through new construction and

([470])https://www.bmwet.gv.at/Themen/KulturellesErbe/Wohnungspolitik.html?utm.

([471])The Price-Dampening Effect of Non-profit Housing, Austrian Economic Research Institute (WIFO), 2023, https://www.wifo.ac.at/en/publication/48877/.

renovation. It is expected to mobilise more than EUR 2 billion in investment for the creation of new affordable housing, renovation and economic recovery. It includes a budget of EUR 1 billion to support the construction of 20 000 new residential units and the renovation of 5 000 residential units. The package aims to counteract declining investment in construction and to offset the rise in housing costs.

A new package of rental law reforms was adopted in 2025 to improve affordability and stability in the rental market. The *Mietpaket* includes extending existing rent caps on regulated rents (municipal and cooperative housing) and extending them to parts of the private rental market ([472]). For the affected private rents, if annual inflation exceeds 3%, only half of the amount above 3% may be passed on to tenants. Rent increases in the regulated sector are capped at 1% in 2026, 2% in 2027 and will follow the same rule as in the unregulated sector from 2028. Rents may be increased only once per year, and minimum lease terms have been extended from three to five years. The aim of the measures is to offset the strong increase in rents in the past decade and to offer more stability and predictability to tenants. While these measures might lower rent increases and lead to more certainty for tenants, they could also weigh on supply and increase the gap between new and existing rental contracts. Furthermore, the measures leave structural disparities of the rental market untouched. Single and two-unit houses remain unregulated, especially affecting tenants in rural areas. A structured harmonisation of regulations in the private rental market could provide more legal parity for all rental agreements while maintaining existing tenant protection.

The current Austrian government highlighted housing affordability as one of its priorities, and plans both supply- and demand-side measures. In the 2025-2029 government programme, living costs and housing affordability, in particular, are among the government's priorities ([473]). The aim of these priorities is to strengthen the construction and renovation sector for affordable housing by simplifying building regulations and digitalising permitting procedures. A sustainable land-use policy focuses on using the existing stock of buildings and land to limit new soil sealing and reduce vacancy rates while aiming to ensure that publicly owned land remains public. Further plans include supporting limited-profit housing, for both rental and ownership, using new models such as renting with a purchase option and reintroducing the earmarking of the *Wohnbauförderung* for affordable housing. This contribution by employers and employees initially supported affordable housing construction and maintenance, but earmarking was stopped in 2008. Reintroducing it would support housing associations and increase financial predictability.

Regional differences in the availability of affordable housing influence labour mobility. The concentration of jobseekers in Vienna contrasts with unfilled vacancies in the western federal states ([474]). In 2024, the unemployment rate gap between federal states was 4.3%. Differences in housing markets contribute to this imbalance (see Annex 11). Vienna has an extensive social housing supply, while in the west, the subsidised housing stock is smaller and rents are higher overall. This creates lock-in effects, making it difficult for jobseekers (especially those in lower income households) to relocate. The federal government introduced measures to support cross-regional job placement and improve public services in the western regions.

Some local authorities in touristic regions face higher-than-average vacancy rates and have introduced measures to regulate vacant dwellings and secondary homes. The regions with the highest proportion of dwellings without registered residents are the traditionally touristic regions of Carinthia (16.2%), Tyrol (15.9%) and Salzburg (14.9%) compared with a national average of 13.3% ([475]), which suggests the presence of holiday homes. While tourism plays a large role in these areas' economies, Tyrol and Salzburg are also among the regions with the highest house and rent prices in the country. Some authorities, such as the city of Salzburg and the

([472]) https://www.bmwkms.gv.at/themen/aktuell/mietpaket-beschlossen0.html.

([473]) Regierungsprogramm 2025-2029, https://www.bundeskanzleramt.gv.at/bundeskanzleramt/die-bundesregierung/regierungsdokumente.html.

([474]) OECD, Addressing Regional Labour Market Imbalances in Austria, 2025.

([475]) Statistik Austria, Mikrozensus Wohnen 2024, https://www.statistik.at/fileadmin/publications/Wohnen_2024_Web-barrierefrei.pdf.

state of Tyrol, have introduced taxes to disincentivise secondary and vacant homes or use specific zoning to restrict holiday and secondary homes.

The Austrian government reacted to the increases in housing-related costs by launching a housing support programme. Next to existing anti-eviction measures implemented by the federal states, a federal programme (*Wohnschirm*) was started in 2022 with three main pillars: preventing evictions, avoiding energy cut-offs and ending homelessness. The programme was deemed successful and effective overall, as beneficiaries predominantly came from vulnerable households, with 73% being from households where people are at risk of poverty or social exclusion and 44% being from single-parent households ([476]). However, as the programme provided a one-off payment under the anti-eviction pillar, the underlying challenge of rising rental costs has not been resolved and therefore leaves scope for additional long-term measures. In contrast, the ending homelessness pillar is a long-term project that applies the Housing First principle by covering up-front payments such as deposits, and providing support by social workers before, during and after the search for housing.

Vulnerable groups

Although housing affordability pressure in Austria remains comparatively contained, it weighs on tenants and low-income households. While the housing cost overburden rate, at 6.5% was below the EU average of 7.7% in 2025 ([477]), households with lower incomes, in particular, struggle with housing affordability. The housing cost overburden rate among people below the poverty threshold is 33.4%, which is over five times higher than in the general population and also above the EU average of 29.1%. People within this group spent on average 39.7% of their disposable income on rent, slightly above the EU average of 36.6%. Significant differences can also be observed according to rental status. While 15.6% of tenants renting at market price were overburdened in 2025, only 4.2% of those renting at reduced prices were affected, reflecting the importance of subsidised housing in alleviating financial pressure for lower-income segments. Single-person households and single-parent households with dependent children struggle more frequently with housing affordability. The degree of urbanisation also influences housing costs. In 2025, 11.4% of people living in cities were overburdened vs only 4.5% of those in rural areas. The difference is more pronounced compared with the EU average (9.6% in cities vs 5.6% in rural areas) and can be explained by the high proportion of tenants in Austria that live predominantly in larger cities.

Arrears on mortgages, among those below the poverty threshold rent and utility bills doubled between 2022 and 2024. Rising housing-related costs (e.g. housing, water and energy) have been accompanied by increases in related arrears. While the EU average remained broadly constant in 2024, at 9.2%, the proportion of arrears in Austria increased from 4.7% in 2022 to 7.5% in 2024. Among those living below the poverty threshold, arrears doubled between 2022 and 2024 from 10.3% to 20.6% (similar to the EU average), further pointing to the stronger impact of inflationary price increases on those households' incomes.

Although housing quality in Austria is generally good, severe housing deprivation has surpassed the EU average. Austria had a low and decreasing proportion of people living in overcrowded homes (13.7%) in 2024 (EU average: 16.9%). The proportion of people living in a dwelling with structural deficiencies, although low, has been slowly increasing since 2020. On the back of this development, severe housing deprivation has increased from 3% in 2020 to 4.5% in 2024 and now exceeds the EU average of 4%. It disproportionally affects people below the poverty threshold (14.2% vs 9.9% at EU level), tenants (11%) and people living in bigger cities (13.9%).

The number of people registered as homeless continues to be low but differs significantly by region and has increased slightly in recent years. In 2023, the number of registered homeless people reached 20 573 (0.11% of the

([476])Bundesministerium für Soziales, Gesundheit, Pflege und Konsumentenschutz (BMSGPK) (Hg.); Endbericht zur begleitenden Evaluierung des Programms Wohnschirm, 2024.

([477])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

Graph A16.4: **Housing affordability selected indicators**

		EU27				AT							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	124.5	115.8		YoY%	-8.4	-7.0	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	103.8	103.4	106.8	YoY%	1.7	-0.4	3.2
Overburden rate, total	%	9.9	8.8	8.2		6.5	6.0	6.3		PPS/y	-1.4	0.3	
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		14.3	13.0	14.6		PPS/y	-3.2	1.6	
Overvaluation gap	%					-1.1	19.1	11.5	10.5				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	102.2	119.8	117.9	114.8	YoY%	-0.3	-1.9	-3.2
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	754.7	503.8	446.7	412.8	YoY%	-32.9	-11.3	-7.6
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	5.2	5.8	5.6	5.2	YoY%	-9.4	-3.4	-7.1
Share of ownership	%	70.0	69.1	68.4		55.7	54.3	54.5		PPS/y	5.6	0.4	
Share of people living in overcrowded homes	%	17.7	16.8	16.9		14.2	14.5	13.7		PPS/y	-1.2	-0.8	

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

total population). That figure has increased by 5.5% since 2021 but remained well below the record highs in 2013 ([478]). Of those people, 12 021 were registered as living in emergency accommodation. Regional differences are stark, with more than half of all people registered as homeless residing in Vienna.

([478])Statistik Austria, Kennzahlen zu registrierter Obdach- und Wohnungslosigkeit 2023, 2024.

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). Austria performs well on most indicators for SDG 8 (Decent work and economic growth) and SDG 9 (Industry, innovation and infrastructure). With 3.26% of GDP allocated to R&D in 2024, up from 3.14% in 2019, Austria has one of the highest levels of R&D spending in the EU. The investment share stood at 23.6% in 2024 and thus remained above the EU average of 21.6%. At the same time, the share of young people neither in employment nor in education increased to 10.3% in 2025, up from 8.6% in 2019 and has come closer to the EU average of 11%. Austria's recovery and resilience plan (RRP) contains several measures to enable digitalisation and make significant investments in strategic research and innovation, which will help ensure further progress on these SDGs. Regarding SDG 4 (Quality education), Austria outperforms on adult participation in learning, with a share of 16.1% in 2025 compared to the EU average of13.7% and with respect to the percentage of adults with at least basic digital skills (69.8% in Austria in 2025

Graph A17.1: **Progress towards the SDGs in Austria**

For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. 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 or six 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 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

compared to the EU average of 60.4%).

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 13). 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 2019 to 43.0% in 2024, well above the EU average (25.2%). Final energy consumption in households per capita has slightly increased since 2019 in Austria, showing a different trend compared to the EU average, and is still significantly higher than on average in the EU. Various measures in the RRP aim to further save general greenhouse gas emissions and should support Austria's environmental sustainability. These measures include the eco-social tax reform, the Renewables Expansion Act, and investment in renewables, energy efficiency, zero-emission mobility and biodiversity. Both the biodiversity fund and the biodiversity strategy published as part of the Austrian RRP will also help meet the country's 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 before. Austria performs well on SDGs 1, 4 and 8, but is moving away from SDG 1 (No poverty) and SDG 3 (Good health and well-being) on several indicators and needs to catch up to the EU average on SDGs 3, 5, 7 and 10. The percentage of people who perceive their health as good or very good continued to decrease faster than the EU average rate (SDG 3; 67.7% in 2024 compared to 71.3% in 2019 and an EU average of 68.5% in 2024). The share of persons at risk of poverty of exclusion (SDG 1) increased to 16.9% in 2024, up from 16.5% in 2019, while the average share in the EU came down to 21% in 2024 (from 21.8% in 2019). The long-term unemployment rate is improving (SDG 8; 1.3% in 2025 against 1.4% in 2019, but at a slower rate than the EU average which 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 90.7% in 2024, but remains below the EU average of 95%. The percentage of adults with a tertiary qualification has increased compared to 2019 (from 41.6% to 43.7% in 2025), but stays beneath the EU average of 44.8% with the gap widening. The percentage of early leavers from education and training increased significantly from 7.8% in 2019 to 10.0% in 2025 and now lies above the EU average of 9.1%, 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 for socially disadvantaged women.

Overall, Austria performs well on SDGs related to *macroeconomic stability* (SDGs 8 and 16). The employment rate rose from 76.8% in 2019 to 77.6% in 2025, above the 76.1% EU average. In addition, Austria achieves relatively 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.

However, Austria needs to catch up on partnerships for the goals (SDG 17). Austria showed progress on this, but it is still performing poorly compared to the EU average, particularly on official development assistance. The percentage 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 72.2% in 2024 (see also Annex 19).

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

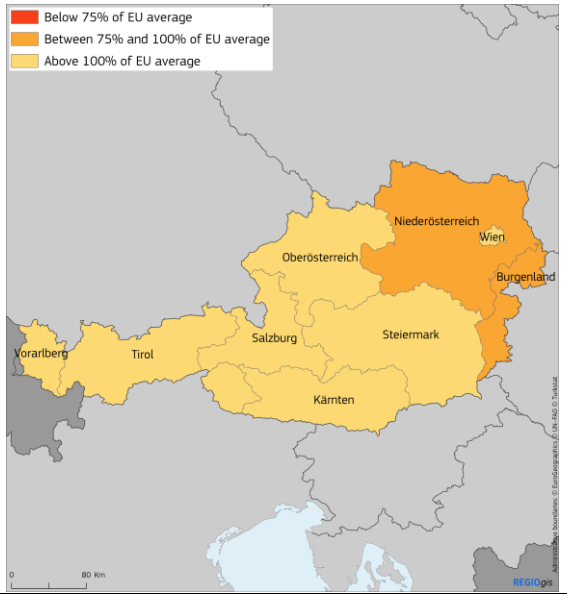
Regional development trends

Regional disparities in Austria have narrowed due to the stable performance of most regions paired with the relative decline of Wien. The country's development model is underpinned by a robust manufacturing base with a highly innovation-driven services economy. However, its relative position within the EU declined moderately from about 129% of the EU average in 2004 to around 118% in 2024. At the same time, regional disparities in Austria have narrowed, with the gap between the best- and worst-performing federal states falling from about 83 percentage points in 2004 to roughly 58 percentage points in 2024.

This convergence, however, was driven mainly by a pronounced decline in the capital region combined with stable performance elsewhere, rather than by a strong catch-up of below-average performing regions. Wien remained the clear economic leader until the mid-2010s and well above the EU average, but its GDP per head fell from 170% of the EU level in 2004 to about 135% in 2024, surpassed by Salzburg (144%). By contrast, performance in the remaining regions was broadly stable, with western regions, particularly Salzburg, Tirol, Vorarlberg and Oberösterreich, continuing to perform strongly, broadly in line with or above the national average, while eastern and southern regions remained closer to the EU average (Niederösterreich, Steiermark and Kärnten) or below it (Burgenland, with 84%).

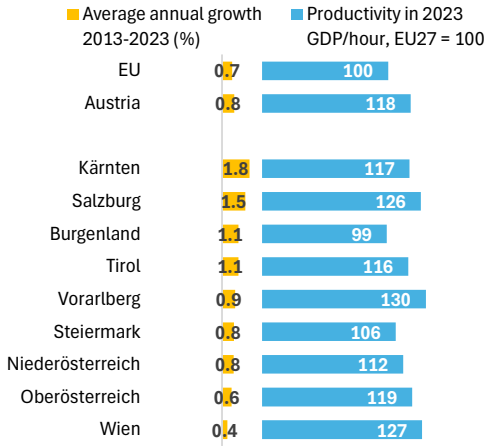
Productivity growth has been lower in the eastern and southern regions over the last decade. Although regional productivity levels remain high by EU standards, they vary considerably. Western regions and Wien consistently outperform the rest of the country. Labour productivity in 2023 ranged from 130% in Vorarlberg to 99% in Burgenland, making it the only region below the EU average. Differences are also reflected in annual growth of productivity per hour worked between 2013 and 2023: the western regions of Salzburg and Kärnten performed the strongest (1.5-1.8%), while Wien and some southern and eastern regions (Steiermark and Niederösterreich), as well as Oberösterreich and Vorarlberg saw more moderate growth (below 1%), which are comparable to the Austrian and EU average of 0.8 and 0.7%, respectively.

Map A18.1: **GDP per head compared with the EU average.**



2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data

Graph A18.1: **Productivity per hour worked: growth and level, NUTS 2**



Source: Calculations by the Directorate-General for Regional and Urban Policy (REGIO) based on Joint Research Centre (JRC) (ARDECO) and Eurostat data

Key challenges for regional competitiveness

R&D expenditure is particularly low in the country's less developed regions but also in Salzburg, despite its high GDP per head. Niederösterreich and Burgenland, whose GDP per head (in purchasing power standard, PPS) is below the EU average, have low R&D expenditure levels. Salzburg and Vorarlberg also remain significantly below both the national and the EU averages (2.2% against 1.6% and 1.9%, respectively) despite Salzburg having the highest GDP per head. The regional differences are very significant as Austria is one of the most research-intensive countries in the EU (see Annex 4). Steiermark stands out with 5.3% of GDP in R&D expenditure. Closing the science-to-market gap remains a major challenge for many regions in Austria. While

Table A18.1: **Main development trends, challenges and the concentration of resources**

	Main development trends
Transition regions (population: 2 million)	Burgenland and Niederösterreich face specific structural challenges. According to 2021-2023 data, both remain below the EU average of GDP per head (Burgenland at 84% and Niederösterreich at 98%), reflecting prolonged periods of subdued growth and weaker local value creation. Niederösterreich's GDP per head growth was consistently below the EU average, particularly in the commuter belt around Wien. Both regions have a high number of commuters. Burgenland continues to struggle with the lowest labour productivity in Austria (97% of the EU average) and a smaller, less diversified economic base. These weaknesses reflect Austria's broader north-west/south-east divide, where high-productivity and highly innovative regions in the north and west contrast with more moderate productivity and innovation performance in the south and east.
More developed regions (population: 7.2 million)	All of Austria's regions are more developed regions, except Niederösterreich and Burgenland. The more developed regions have a strong economic performance overall, yet they differ significantly, reflecting a pronounced east–west divide. Western regions benefit from highly productive economies and some of the strongest real GDP growth in the country. Eastern and central regions, including Wien and Steiermark, also remain well above the EU average in GDP per head, but several have experienced slower GDP per head growth, with Wien experiencing a slight decline. Innovation capacity is highly concentrated in the capital and its commuter zone, while other regions combine solid performance with more stable, less dynamic development patterns. These internal differences highlight the varied economic structures and growth trajectories within Austria's more developed regions.
Specific territories	Diverging transport and social challenges in urban and rural areas are becoming more pronounced. Urban areas face mounting pressure to reduce transport emissions despite high travel demand, congestion, and limited space for new infrastructure. Growing populations, housing shortages, and rising living costs strain developed public services and increase the risks of poverty, social exclusion and declining environmental quality. These dynamics threaten social cohesion and could reduce the attractiveness of cities, especially for low-income households and young people. Rural areas experience more structural mobility barriers, with a strong dependence on private cars, limited public transport and insufficient electric vehicle charging networks. Persistent gaps in access to essential services – such as education and healthcare – are intensified by longer distances and low population density. Although rural regions often benefit from more affordable housing and better living conditions, poor physical and digital connectivity restricts access to jobs and services and risk widening territorial inequalities if no targeted action is taken. The Austrian Just Transition Fund regions in Oberösterreich, Steiermark and Niederösterreich face significant decarbonisation challenges due to their reliance on fossil fuels and energy-intensive industries. They have a high share of employment in polluting sectors, making them particularly vulnerable to economic and labour-market impacts of the green transition. The strong role of manufacturing and carbon-intensive industries, along with transport dependencies, further complicates these regions' paths to climate neutrality.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

some regions effectively convert research capacity into high-value economic output, this success is largely territorially concentrated in a few urban areas (see Annex 6).

The drivers behind the uneven regional capacity for innovation-led growth are manifold and include disparities in human capital and industrial specialisation. Regional economic structures remain highly differentiated. Manufacturing dominates in regions such as Vorarlberg, Oberösterreich, Kärnten and Steiermark, while Wien and Salzburg are more highly specialised in high-value services, including ICT, finance and business services. High-tech employment exceeds the EU average in Wien and Kärnten but remains below the EU average in other regions.

The regions of Oberösterreich and Steiermark face significant challenges related to decarbonisation due to their strong dependence on fossil fuels and energy-intensive industries. These two regions are particularly exposed to the territorial and labour market implications of Austria's green transition. In 2021, Südösterreich had the highest share of employment in highly polluting sectors (17.4%) closely followed by Westösterreich (17.2%) and then Ostösterreich (12.1%). This is aligned with the geographical concentration of carbon-intensive industries ([479]). Within these regions, Oberösterreich and Steiermark are among the most exposed in Europe due to high emission levels and a large share of employment in fossil-fuel-dependent and energy-intensive sectors ([480]). Alongside Niederösterreich, they also report higher greenhouse gas emissions, exceeding 10 tCO_2eq per head, while Wien records only 2.2 tCO_2eq (see Annex 8). Industry plays a particularly significant role in Austrian regions' emission profiles: manufacturing generated about 38% of total greenhouse gas emissions in 2023, the second-highest share in the EU. Energy-intensive sectors, particularly paper and basic metals, also have higher carbon intensity than their EU counterparts ([481]). Additional factors, such as differing mobility patterns and transport dependencies, further contribute to regional variations.

Peripheral Alpine and border regions suffer from demographic decline. This is putting increasing pressure on social cohesion, local services and residents' ability to 'stay' in their regions. The country's overall population growth is highly concentrated in metropolitan areas: Wien, Graz, Wiener Umland Nord- and Südteil, Rheintal-Bodenseegebiet and Linz–Wels continue to expand. By contrast, peripheral rural and mountainous areas in Steiermark, Kärnten and Niederösterreich continue to experience population decline, mainly due to low birth rates, reflecting a persistent rural-to-urban shift (see Map A18.2). Several peripheral rural and Alpine regions in Steiermark, Kärnten and Burgenland are already seeing a substantial decline in their working-age population due to ageing-in-place processes and outward migration of young adults. In this context, the provision of public services - particularly those characterised by strong economies of scale – is especially demanding in small municipalities, concentrated in rural and peripheral areas. In Austria, subnational entities, municipalities in particular, play a crucial role in delivering essential public services, such as healthcare, education and public transport ([482]).

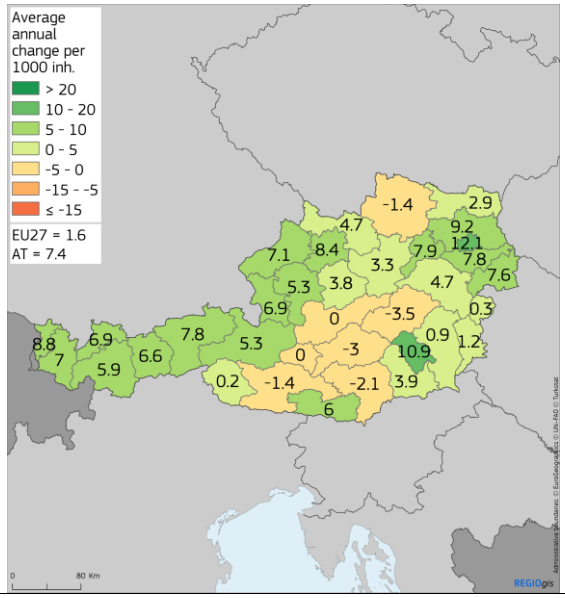
([479]) Job Creation and Local Economic Development 2023: Austria (2023).

([480]) OECD (2024), *OECD Economic Surveys: Austria 2024.*

([481]) OECD (2024), *OECD Economic Surveys: Austria 2024; European Commission (2025) Climate Action Progress Report 2024, Country profile: Austria.*

([482]) See the 2024 Country Report, p. 4 and KDZ - Centre for Public Administration Research Austria (2021), Local Government in Austria: Responses to Urban-Rural Challenges.

Map A18.2: **Population change, NUTS 3, 2015-2024**



Source: Eurostat

Access to early childhood education and care remains a major territorial challenge in Steiermark and Oberösterreich and drag their growth potential down. There are wide regional disparities in availability, quality and affordability of early childhood education, with rural areas most affected. Participation in early childhood education for children under the age of three clearly illustrates this divide. In 2024, participation in early childhood education and care (including children staying with childminders) under the age of three was highest in Wien (47.5%) and Burgenland (44.8%), and lowest in Steiermark (27.2%) and Oberösterreich (26.7%) ([483]). These differences have a direct impact on women's labour market participation and may result in hampering the growth potential of some of the regions with lower levels of GDP per head (see Annex 13).

Access to public transport is severely limited outside Wien, especially in Burgenland and Kärnten. In Wien, over 70% of the population uses public transport daily or several times a week, whereas the share is at or below 10% in Kärnten and Burgenland. The share remains below 20% in Niederösterreich and Oberösterreich, compared with a national average of 29% ([484]). These differences shape mobility patterns in rural areas, where limited public transport options lead to a much higher dependence on private cars. More than one third of households in small cities own more than one car, compared with just 9% in Wien ([485]). Improving access to public transport in rural regions could therefore play a substantial role in reducing greenhouse gas emissions as the transport sector accounts for a significant proportion these emissions (around 30% in 2023) despite a decrease in 2023 (see Annex 8).

([483])Statistik Austria (2025), Statistik über die elementare Bildung und das Hortwesen 2024/25 - Kindertagesheimstatistik.

([484])VCÖ, & Statistik Austria. (2021). *Große Bundesland-Unterschiede bei Nutzung des Öffentlichen Verkehrs.*

([485])OECD (2024), *OECD Economic Surveys: Austria 2024.*

Table A18.2:**Key regional indicators (at NUTS 2 level) for Austria**

	GDP per head (PPS, index)	Net migration	Real GDP per head growth	Employed with high educational attainment	Employment in knowledge-intensive services	Human resources in science and technology (core)	Employment rate 20-64	Unemployment rate	At-risk-of-poverty or social exclusion rate (AROPE)	R&D expenditure
	EU27=100	Average annual change per 1000 residents	Average annual % change	% of employed aged 25-64	% of total employment	% of total employment	% of population aged 20-64	% of labour force	% of population	% of GDP
	2024	2015-2024	2014-2024	2025	2025	2025	2025	2025	2024	2023
EU	100	3.5	1.4	41.5	41.7	49.9	76.1	6.0	21.0	2.2
Austria	119	7.2	0.5	41.7	42.2	53.5	77.6	5.7	16.9	3.3
Burgenland	86	8.9	1.0	39.0	45.1	53.3	76.9	5.0	10.0	0.8
Niederösterreich	98	7.5	0.5	40.5	43.0	53.2	79.5	4.4	12.4	1.8
Wien	137	10.7	-0.1	52.6	52.5	61.4	71.3	9.9	28.2	3.9
Kärnten	110	5.3	1.1	40.8	39.2	51.1	76.8	4.8	15.7	3.2
Steiermark	111	5.9	0.8	39.1	40.0	51.2	77.8	5.0	14.4	5.3
Oberösterreich	119	6.2	0.1	38.5	36.9	50.9	80.3	4.6	15.0	3.5
Salzburg	146	5.1	1.1	38.4	38.5	50.6	81.8	3.5	11.1	1.6
Tirol	128	5.1	0.9	35.2	37.1	48.4	82.0	3.8	13.4	2.9
Vorarlberg	125	6.1	0.2	35.6	35.2	49.0	79.9	4.3	17.9	1.9

Dark green – the indicator is at least 120% or more of the EU average.
Light green – the indicator is at least 100% but less than 120% of the EU average.
Yellow – the indicator is at least 90% but less than 100% of the EU average.
Light red – the indicator is at least 75% but less than 90% of the EU average.
Dark red – the indicator is less than 75% of the EU average.
This colour scale applies to 'positive' indicators where higher values are favourable.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

Broadband connectivity is very low in most rural areas of Austria. Very high capacity network (VHCN) coverage remains below the EU level (68% compared with 79% in 2024), and rural coverage is among the weakest in Europe, reaching only 36% against the EU average of 56% ([486]). Only nine regions exceed 65%, mostly in the western part of the country, with the south-east recording the lowest rural VHCN coverage ([487]). The gap in internet speed between rural and urban areas is larger than in most other OECD countries. Broadband deployment remains a challenge due to regulatory and administrative barriers in spatial planning and permitting, a task primarily managed by the federal states, in cooperation with districts and municipalities. Insufficient broadband availability – especially in sparsely populated regions – constrains productivity growth and, together with poor transport connectivity, further widens the urban-rural divide (see Annex 5).

Affordable housing is particularly challenging in Wien and Tiroler Unterland. High price-to-income ratios can also be observed in the touristic Alpine regions of Vorarlberg, Tirol and Salzburg, while eastern regions such as Burgenland, Niederösterreich and Steiermark record noticeably lower levels. Urban areas face the highest housing pressure: 12% of city residents experience housing cost overburden ([488]) compared with 3% in rural areas (national average: 6.3%, see Annex 16) ([489]). Touristic Alpine regions, particularly in Salzburg, Tirol and Vorarlberg, often deviate from this urban–rural pattern due to strong demand for secondary residences and tourism-driven housing markets. These persistent affordability pressures place a financial burden on households in tourism-intensive rural areas, negatively impacting the labour market and exacerbating social tensions in major urban centres.

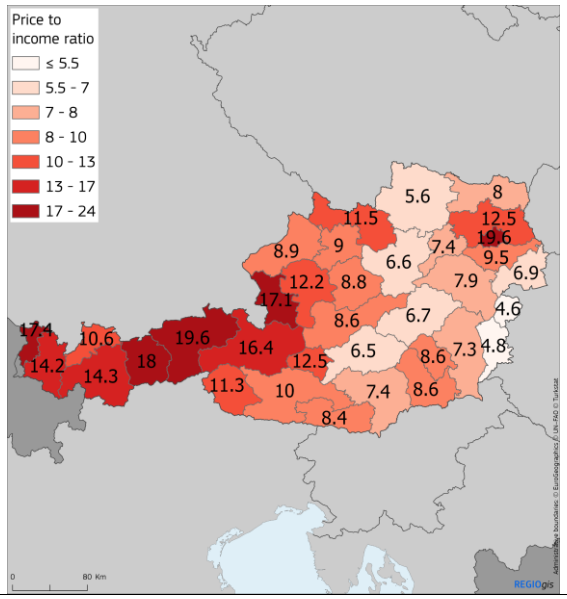
([486])Österreichischer Raumentwicklungsatlas (2025), pp. 142–143.

([487])OMBIDA and Point Topic (2025), Broadband Coverage in Europe, 2024.

([488])'Housing cost overburden' is the share of the population with housing costs above 40% of the total disposable household income (net of housing allowances).

([489])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

Map A18.3: **Housing affordability – price-to-income ratio NUTS 3, 2020**



Source: European Commission, Mapadomo database

Austria has one of the highest renewable electricity consumption shares in the EU, but electricity generation from wind and solar PV remains below its potential and is concentrated in the eastern and south-eastern regions. Despite its great potential, particularly for increasing the share of renewable energy in winter, wind energy generation is growing very slowly. Generation is highly concentrated in the east of the country, with Burgenland and Niederösterreich accounting for 91.5% of total wind energy production. By contrast Steiermark, Oberösterreich and Kärnten account for only a moderate share of wind energy generation and installed capacity, despite a significant potential in these regions. Wind power expansion in Austria is particularly slowed by local protests from citizen groups opposing turbines near their communities (the NIMBY effect, 'not in my back yard'), which often lead to political pressure, and delays in the permitting process. The share of solar PV has increased more dynamically across all federal states in recent years, supported by falling technology costs and policy incentives. Nevertheless, rural areas, particularly those in western Alpine regions of the country with grid and topographical limitations, continue to demonstrate relatively low output compared with their technical potential, particularly for smaller rooftop photovoltaics ([490]) (see Annexes 9 and 10).

Land take, soil sealing and urban sprawl are persistent challenges with significant regional disparities. Sealing intensity is highest in Tirol, Vorarlberg and Wien, followed by Salzburg and Oberösterreich ([491]). Low population density and dispersed settlement patterns, combined with extensive road networks, increase reliance on private transport. These patterns also heighten climate risks as many built-up areas lie in flood-prone zones ([492]). Planning powers lie largely with municipalities and federal states, while flood protection and risk management are shared across government levels, limiting the integration of risk considerations into land-use decisions ([493]). Despite a national target to reduce land take to 2.5 hectares per day ([494]), actual levels remain around 6.5 hectares ([495]), driven mainly by settlement areas and transport infrastructure. Land take and soil sealing continue to pose structural risks to biodiversity, climate resilience and climate adaptation, despite the newly adopted soil strategy seeking better alignment between spatial planning and environmental objectives.

([490])BMWET (2025), Wie steht es um Photovoltaik in den Bundesländern?

([491])ÖROK (2022): Atlas.

([492])OECD Ecoscope article (2024): Addressing Austria's growing flood risks.

([493])OECD (2024), *OECD Economic Surveys: Austria 2024.*

([494])Bundeskanzleramt (2025). Regierungsprogramm Österreich 2025-2029.

([495])ÖROK (2025), ÖROK-Monitoring Flächeninanspruchnahme und Versiegelung in Österreich.

Table A19.1:**ERTMS deployment in Austria.**

ERTMS in Austria				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
3028 km	end 2024	456 km	15 %	
	by 2035	2 445 km	81 %	EUR 477 million

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

This Transport Annex presents the state of play and the challenges Austria faces with the implementation of the trans-European transport network (TEN-T), the European railway traffic management system (ERTMS) and the roll-out of Sustainable Aviation Fuels (SAF).

Four European transport corridors cross Austria (Rhine – Danube, Baltic Sea – Adriatic Sea, Scandinavian – Mediterranean, and Western Balkans – Eastern Mediterranean). The Austrian TEN-T rail network is 3 028 km long (1 222 of which are on the core network). The road network is 1 827 km long (1 101 of which are on the core network). Austria has 343 km of inland waterways, six airports (including one core airport), four ports (including three core ports) and nine urban nodes on TEN-T ([496]).

Austria has a well-developed railway network, though it faces some critical bottlenecks and capacity constraints along its TEN-T corridor routes. Investment is needed to complete the Semmering Base Tunnel, which lies on the Baltic Sea – Adriatic Sea corridor connecting Poland with the Italian Adriatic ports. Although construction is underway, an additional EUR 400 million will be needed until completion in 2030. Moreover, it is necessary to expand the capacity of the route from Vienna to Munich, a significant segment of the Rhine – Danube corridor, by upgrading the section between Linz and Wels from two to four tracks.

Additionally, capacity enhancements are necessary on the two north-south connections, which form the beginning of the Western Balkan – Eastern Mediterranean corridor from Austria to Greece: from Salzburg to Villach via the Lueg Pass and from Linz to Graz, which requires expansion to a dual-track line.

The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

Scaling up ERTMS deployment is key to maximising capacity on the country's densely used rail corridors and enabling efficient traffic management. As of late 2024 ([497]), ERTMS was in operation on 15% of the Austria's TEN-T rail network. To meet its national plan's ERTMS roll-out target by 2035, Austria aims to deploy ERTMS on an additional length of almost 2 000 km. A plan for decommissioning of the legacy signalling system is lacking.

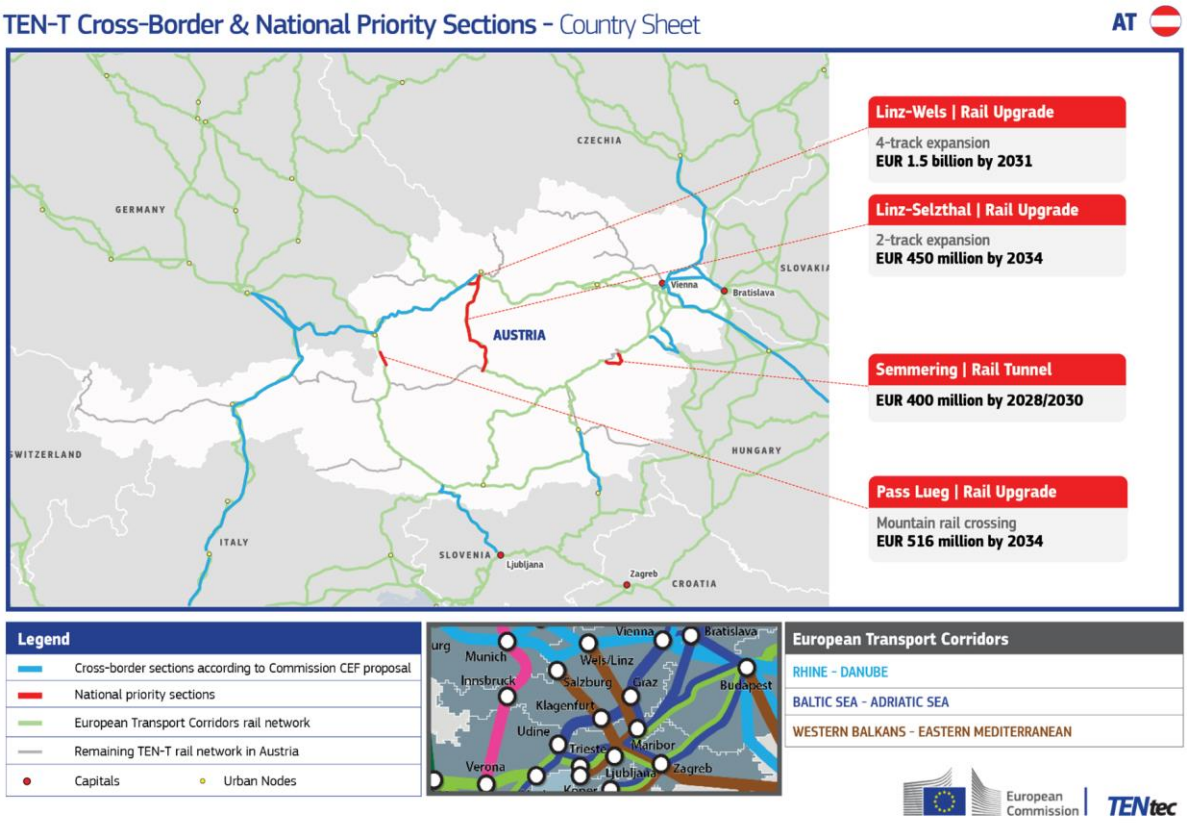
Austria is investing significantly in its rail infrastructure to overcome capacity limits and strengthen its role as a transit hub. While planning and permit procedures are complex and lengthy, there are no significant implementation delays.

Austria would benefit from continuing to strengthen the operating conditions of the National Safety Authority. It still faces

([496])TENtec Information System, according to Reg. 2024/1679.

([497])Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Map A19.1: **TEN-T cross-border & national priority sections in Austria.**



challenges related to its budgetary and staffing constraints, and the need to make supervision more risk-based and effective.

Austria has a strong industrial base to produce sustainable aviation fuels (SAF) primarily driven by the efforts of its national oil and gas company ([498]). But new initiatives require continued investment support to initiate commercial-scale deployment. This includes projects which could supply bioSAF as well as demonstration plants for eSAF. Targeted investments that will enable SAF commercialisation can be made through pilot investment structures (such as double-sided auctions) through the EU's e-SAF Early Movers Coalition, as well as the effective use of existing EU revenue opportunities related to aviation transition (e.g. EU ETS), and all penalties revenue generated by ReFuelEU Aviation.

Road crashes impose an enormous social, economic and health burden on the EU economy. The external socio-economic costs of fatal, serious and minor injuries have remained persistently high despite the progress made in reducing crash frequency and severity. These resources could otherwise fuel innovation, education, healthcare and other crucial public investments ([499]).

In 2024, Austria performed better than the EU average (45) with 38 road fatalities per million inhabitants. According to the data, a decrease of 16% in road fatalities was recorded between 2019 and 2024. The number of serious injuries also decreased by 3% over the period 2019-2023. Compared to the EU average, the distribution of fatalities in Austria showed a high proportion of fatalities on roads outside urban areas and for cyclist fatalities inside urban areas.

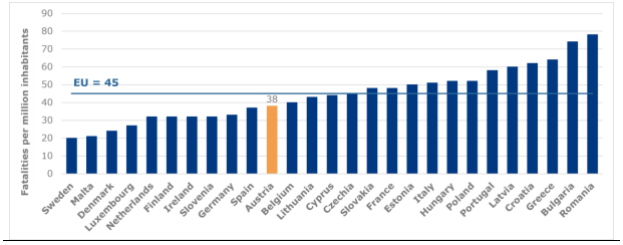
([498])EASA ReFuelEU Aviation Technical report (2025).

([499])Report on the implementation of the EU Road Safety Policy framework at the Mid-Point, COM(2026) 77 final.

The proportion of motorcycle fatalities in total traffic fatalities on rural roads in Austria is also one of the highest in the EU.

Austria, while reaching some reasonable progress, requires more actions to meet the 2030 targets of halving road fatalities and serious injuries. Possible ways to address this could be better coordination among the relevant authorities and stakeholders and accelerating the implementation of the most effective measures([500]).

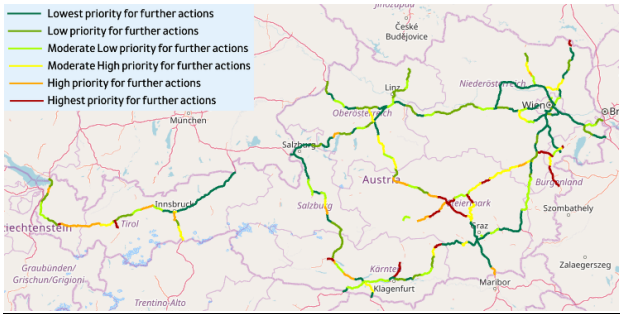
Graph A19.1: **Austria's road fatalities per million, 2024**



Source: Report at the Mid-Point - Austria, SWD(2026) 33 final.

The map below presents the roads with poor infrastructure safety, where urgent action is required.

Map A19.2: **Austria's road safety map**



Source: TENtec Information System and TEN-T map library – European Commission

([500])More details in Report on the implementation of the EU Road Safety Policy framework at the Mid-Point – Austria, SWD(2026) 33 final.