Council of the European Union

Brussels, 1 July 2025
(OR. en)

10980/25

ECOFIN 910
UEM 364
SOC 477
EMPL 334
COMPET 658
ENV 627
EDUC 301
ENER 325
JAI 945
GENDER 154
JEUN 185
SAN 411
ECB
EIB

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Austria

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by various Council committees and finalized by the Economic and Financial Committee, based on the Commission Proposal COM(2025) 220 final.

COUNCIL RECOMMENDATION

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

[1] OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

Whereas:

General considerations

(1) Regulation (EU) 2024/1263, which entered into force on 30 April 2024, specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the TFEU. The European Semester includes, in particular, the formulation, and the surveillance of the implementation of country-specific recommendations. The Regulation also promotes national ownership of fiscal policy and emphasises its medium-term focus, combined with more effective and coherent enforcement. Each Member State must submit to the Council and the Commission a national medium-term fiscal-structural plan, containing its fiscal, reform and investment commitments, over 4 or 5 years, depending on the length of the national legislative term. The net expenditure[2] path in these plans has to comply with the Regulation's requirements, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60% of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3%-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in the Regulation, the adjustment period may be extended by up to three years.

---

[2] Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure; (ii) discretionary revenue measures; (iii) expenditure on programmes of the Union fully matched by revenue from Union funds; (iv) national expenditure on co-financing of programmes funded by the Union; (v) cyclical elements of unemployment benefit expenditure; and (vi) one-offs and other temporary measures.

(2) Regulation (EU) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility (the 'RRF'), entered into force on 19 February 2021. The RRF provides financial support to Member States for implementing reforms and investments, delivering a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the RRF fosters economic and social recovery while driving sustainable reforms and investments, in particular promoting the green and digital transitions and making Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.

(3) Regulation (EU) 2023/435 of the European Parliament and of the Council[4] (the 'REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This helps achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Austria added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

---

[3] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

[4] Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/435/oj).

(4) On 30 April 2021, Austria submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of that Regulation, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V. On 13 July 2021, the Council adopted its Implementing Decision approving the assessment of the recovery and resilience plan for Austria[5], which was amended on 9 November 2023 in accordance with Article 21(1) of Regulation (EU) 2021/241 on the grounds that the RRP is partially no longer achievable because of objective circumstances as well as to include the REPowerEU chapter[6]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5), stating that Austria has satisfactorily achieved the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory achievement requires that the achievement of preceding milestones and targets for the same reform or investment has not been reversed.

[5] Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Austria (ST 10159/2021).

[6] Council Implementing Decision of 7 November 2023 amending the Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Austria (ST 14472/2023).

(5) On [date; OJ: please insert here as date 8 July 2025], the Council, upon the recommendation of the Commission, adopted a recommendation endorsing the national medium-term fiscal-structural plan of Austria[7]. On 13 May 2025 Austria submitted its medium term fiscal structural plan. The plan was submitted in accordance with Articles 11 and 36(1), point (a) of Regulation (EU) 2024/1263, covers the period from 2025 until 2029 and presents a fiscal adjustment spread over seven years.

(6) On 26 November 2024, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2025 Alert Mechanism Report, in which it did not identify Austria as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2025 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area[8] on 13 May 2025 and the Joint Employment Report on 10 March 2025.

---

[7] Council Recommendation of [date; OJ: please insert here as date 8 July 2025] endorsing the medium-term fiscal-structural plan of Austria, OJ [OJ: please insert in this footnote the reference and date of adoption of Council Recommendation contained in document ST 10339/25]

[8] Council Recommendation of 13 May 2025 on the economic policy of the euro area (OJ C, C/2025/2782, 22.5.2025, ELI: [http:// data.europa.eu/eli/C/2025/2782/oj](http://data.europa.eu/eli/C/2025/2782/oj).)

(7) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the EU's global competitiveness over the next five years. It identifies the three transformative imperatives of sustainable economic growth: (i) innovation; (ii) decarbonisation and competitiveness; and (iii) security. To close the innovation gap, the EU aims to foster industrial innovation, support the growth of start-ups through initiatives like the EU Start-up and Scale-up Strategy, and promote the adoption of advanced technologies like artificial intelligence and quantum computing. In pursuit of a greener economy, the Commission has outlined a comprehensive Affordable Energy Action Plan and a Clean Industrial Deal, ensuring that the shift to clean energy remains cost-effective, competitiveness-friendly, particularly for energy-intensive sectors, and is a driver for growth. To reduce excessive dependencies and increase security, the Union is committed to strengthening global trade partnerships, diversifying supply chains and securing access to critical raw materials and clean energy sources. These priorities are underpinned by horizontal enablers, namely regulatory simplification, deepening of the single market, financing competitiveness and a Savings and Investments Union, promotion of skills and quality jobs, and better coordination of EU policies. The Competitiveness Compass is aligned with the European Semester, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(8) In 2025, the European Semester for economic policy coordination continues to develop alongside the implementation of the RRF. The full implementation of the recovery and resilience plans remains essential for delivering on the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. These country-specific recommendations remain equally relevant for the assessment of amended recovery and resilience plans in accordance with Article 21 of Regulation (EU) 2021/241.

(9) The 2025 country-specific recommendations cover the key economic policy challenges that are not sufficiently addressed by measures included in the recovery and resilience plans, taking into account the relevant challenges identified in the 2019-2024 country-specific recommendations.

(10) On 4 June 2025, the Commission published the 2025 country report for Austria. It assessed Austria's progress in addressing the relevant country-specific recommendations and took stock of Austria's implementation of the recovery and resilience plan. Based on this analysis, the country report identified the most pressing challenges Austria is facing. It also assessed Austria's progress in implementing the European Pillar of Social Rights and in achieving the Union's 2030 headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

Assessment of the Annual Progress Report

(11) On 13 May 2025, Austria submitted a medium-term plan committing to the following maximum growth rates of net expenditure: 2.6% in 2025, 2.2% in 2026, 2.2% in 2027, 2.0% in 2028 and 2.3% in 2029, which correspond to the maximum cumulative growth rates calculated by reference to 2024 of 2.6% in 2025, 4.8% in 2026, 7.2% in 2027, 9.4% in 2028 and 11.9% in 2029. On 13 May 2025, Austria submitted its Annual Progress Report[9] on relevant fiscal outturn data and projections and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Austria's biannual reporting on the progress made in achieving its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

9 The 2025 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

(12) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025.

(13) Based on data validated by Eurostat[10], Austria's general government deficit increased from 2.6% of GDP in 2023 to 4.7% in 2024, while the general government debt rose from 78.5% of GDP at the end of 2023 to 81.8% at the end of 2024. According to the Commission's calculations, these developments correspond to a net expenditure growth rate of 8.7% in 2024. Based on the Commission's estimates, the fiscal stance[11], which includes both nationally and EU financed expenditure, was expansionary, by 2.3% of GDP, in 2024. On 4 June 2025, the Commission adopted a report under Article 126(3) of the TFEU[12]. That report assessed the budgetary situation of Austria, as its general government deficit in 2024 exceeded the reference value of 3% of GDP. The report concluded that in the light of this assessment, and after considering the opinion of the Economic and Financial Committee as established under article 126(4) TFEU, the Commission will consider proposing to open an excessive deficit procedure for Austria by proposing to the Council to adopt a Decision under Article 126(6) establishing the existence of an excessive deficit.

---

[10] Eurostat-Euro Indicators, 22.4.2025.

[11] The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

[12] Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 04.06.2025, COM(2025) COM(2025) 615 final.

(14) According to the Annual Progress Report, the macroeconomic scenario underpinning the budgetary projections by Austria expects real GDP growth at -0.3% in 2025, while HICP inflation is projected at 2.8% in 2025. The Commission Spring 2025 Forecast projects real GDP to decline by 0.3% in 2025 and to grow by 1.0% in 2026, and HICP inflation to stand at 2.9% in 2025 and 2.1% in 2026.

(15) In the Annual Progress Report, the general government deficit is expected to decrease to 4.5% of GDP in 2025, while the general government debt-to-GDP ratio is set to increase to 84.7% by the end of 2025. These developments correspond to net expenditure growth of 1.6% in 2025. The Commission Spring 2025 Forecast projects a general government deficit of 4.4% of GDP in 2025. The decrease of the deficit in 2025 mainly reflects the implementation of a consolidation package, while at the same time increased spending on public salaries, pensions and social expenditure due to inflation indexation and other ageing-related costs continue to weigh significantly on public finances. According to the Commission's calculations, these developments correspond to net expenditure growth of 2.0% in 2025. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be contractionary, by 1.3% of GDP, in 2025. The general government debt-to-GDP ratio is set to increase to 84.0% by the end of 2025.

(16) General government expenditure amounting to 0.1% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2025, compared to 0.1% of GDP in 2024, according to the Commission Spring 2025 Forecast. Expenditure financed by Recovery and Resilience Facility non-repayable support enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Austria.

(17) General government defence expenditure in Austria remained stable at 0.6% of GDP between 2021 and 2023[13]. According to the Commission Spring 2025 Forecast, expenditure on defence is projected to amount to 0.7% of GDP in 2024 and 0.8% of GDP in 2025. This corresponds to an increase of 0.2 percentage points of GDP compared to 2021.

(18) According to the Commission Spring 2025 Forecast, net expenditure in Austria is projected to grow by 2.0% in 2025. Based on the Commission Spring 2025 Forecast, the net expenditure growth of Austria in 2025 is projected to be below the maximum growth rate committed to by Austria in its plan.

(19) The Annual Progress Report does not include budgetary projections beyond 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2025 Forecast projects a general government deficit of 4.2% of GDP in 2026. These developments correspond to net expenditure growth of 2.3% in 2026. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be contractionary, by 0.3% of GDP, in 2026. The general government debt-to-GDP ratio is projected by the Commission to increase to 85.8% by the end of 2026.

(20) The medium-term plan of Austria specifies the set of reforms and investments underpinning the extension of the adjustment period. They include 14 measures, of which one measure is an existing and stepped-up measure from the recovery and resilience plan, namely improved access to education ("Chancenbonus") as well as additional reforms and investments such as increasing the effective retirement age, reforming the upskilling leave and increasing the health care contribution for pensioners.

---

[13] Eurostat, government expenditure by classification of functions of government (COFOG). Due to methodological differences between the COFOG and NATO definitions, expenditure based on the COFOG definition may differ from the expenditure based on the NATO definition.

Key policy challenges

(21) Austria faces rising ageing-related fiscal pressures from its healthcare, long-term care and pension systems. The country's relatively low statutory and effective retirement ages lead to high pension costs, projected to peak at 15% of GDP by 2030 before decreasing slightly. Despite past reforms, Austria's effective retirement age remains below the EU average. Recently implemented pension measures have been modest, especially compared to gains in life expectancy, although new plans to limit early retirement in combination with the rise of the statutory retirement age for women are likely to raise the effective retirement age. Demographic ageing also puts a strain on healthcare and long-term care finances. By 2070, healthcare spending is expected to rise from 7.8% in 2024to 8.9% of GDP, double the EU average increase, while long-term care costs might grow from 1.6% to 3.1% of GDP over the same period. The 2023 healthcare reform aimed to boost primary care and reduce hospital reliance, but primary care remains underdeveloped, there continue to be overlapping services, and spending targets are not adhered to. Effective regulatory measures and alignment of financing and spending responsibilities are lacking, contributing to a situation where regions and the social insurance frequently exceed the agreed annual spending ceilings. In long-term care, recent reforms improved working conditions and support for family carers, but did not address fiscal sustainability. Institutional care dominates public spending, though home care is more cost-effective in many cases. The recovery and resilience plan includes measures to promote primary healthcare and implement target-based governance in long-term care.

(22) Austria's fiscal framework is marked by a complex system of intergovernmental transfers between federal and regional authorities, which constrain the efficiency of public spending. With a low level of tax autonomy, federal states rely heavily on shared revenues rather than their own sources – only a small share of total public revenue in 2024 came from subnational sources. At the same time, the financing of essential services such as healthcare, childcare and public transport depends partially on expenditure provided by the federal states and municipalities. Demographic change and the green transition further exacerbate the cost pressure on the federal states and municipalities, while own source revenues are not linked to expenditure dynamics.

(23) The tax mix continues to rely heavily on labour income and consumption. In 2023, Austria had the fourth-highest tax-to-GDP ratio in the EU with a significant average tax wedge on labour (fifth highest in the EU in 2024)[14]. Since 2023, personal income tax brackets have been indexed to inflation, preventing a further increase of the tax wedge through bracket creep. However, several long-standing structural challenges in the tax mix remain unaddressed. Making better use of more growth- and employment-friendly taxes could help create the necessary budgetary space and improve the overall tax structure.

---

14 OECD (2025), Taxing Wages 2025.

(24) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, finalising the effective implementation of the recovery and resilience plan, including the REPowerEU chapter, is essential to boost Austria's long-term competitiveness through the green and digital transitions, while ensuring social fairness. The Commission Communication NextGenerationEU – The road to 2026, adopted on 4 June 2025, clarifies the applicable timeline for the end of the Facility and provides guidance to Member States to maximise implementation by 31 August 2026, including on how to further streamline their RRPs, lays out key options to consider when revising them, and stresses the importance of careful joint planning ahead for the submission of the last payment requests in 2026. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(25) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+), has accelerated in Austria. It is important to continue efforts to ensure the swift implementation of these programmes, while maximising their impact on the ground. Austria is already taking action under its cohesion policy programmes to boost competitiveness and growth while enhancing social cohesion. At the same time, Austria continues to face challenges, including those relating to competitiveness, affordable housing, skills and active inclusion. In accordance with Article 18 of Regulation (EU) 2021/1060, Austria is required – as part of the mid-term review of the cohesion policy funds – to review each programme taking into account, among other things, the challenges identified in the 2024 country-specific recommendations. The Commission proposals adopted on 1 April 2025[15] extend the deadline for submitting an assessment – for each programme – of the outcome of the mid-term review beyond 31 March 2025. They also provide flexibilities to help speed up programme implementation and incentives for Member States to allocate cohesion policy resources to five strategic priority areas of the Union, namely competitiveness in strategic technologies, defence, housing, water resilience and energy transition, and to investments in skills in priority sectors while maintaining the focus on persons in most vulnerable situations in ESF+ programmes.

(26) The Strategic Technologies for Europe Platform (STEP) provides the opportunity to invest in a key EU strategic priority by strengthening the EU's competitiveness. STEP is channelled through 11 existing EU funds. Member States can also contribute to the InvestEU programme supporting investments in priority areas. Austria could make optimal use of these initiatives to support the development or manufacturing of critical technologies, including clean and resource-efficient technologies.

---

[15] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review − COM(2025) 123 final.

(27) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Austria should effectively address the remaining challenges related to the sustainability of its public finances, the labour market, business dynamism and competitiveness, its persistent reliance on fossil fuels and high energy prices.

(28) While a variety of funding instruments are available, risk financing for start-ups and scale-ups remains a constraining factor. The local venture and growth capital market is showing a positive trend, with venture capital rising to 0.08% of GDP over 2021-2023 but is not yet sufficiently developed. Limited venture capital financing is partly driven by the low level of participation of institutional investors, including pension funds. At only 1% of private equity and venture capital funds raised annually over 2007-2023, this is substantially below leading Member States.

(29) Austria's comparatively high R&D expenditure (at 3.26% of GDP in 2023) and strong science-business collaboration are not sufficiently translated into marketable solutions and business dynamism. The percentage of people working in knowledge-intensive services stood at 39.8%, slightly lower than the EU average of 40.8% in 2022. The country also lags behind the EU's most innovative Member States in generating domestic value added from exports of high-tech goods and services. Public support for innovation, mainly through R&D tax incentives, tends to focus on incremental innovation in established sectors. Although patenting activity remains above the EU average, weakening patenting activity over the past decade, with persisting large disparities in R&D spending between the federal states, limit Austria's ability to fully capitalise on its potential to derive higher economic benefits from innovation. A more systematic review of existing support schemes could increase the efficacy of the innovation system.

(30) Promoting the integration of digital technologies into business would further strengthen competitiveness. Despite advancements in cloud adoption, with 35.6% of businesses using cloud technologies, Austria lags behind the EU average of 38.9%, indicating room for growth in this area. The adoption of data analytics also remains a challenge, as only 23.9% of Austrian businesses have implemented such technologies, significantly below the EU average of 33.2%. Targeted measures – including financial incentives, support for cloud and data infrastructure, and investment in digital skills – could significantly accelerate the adoption of advanced technologies, particularly among small to medium-sized enterprises (SMEs).

(31) Austrian consumers are negatively affected by a lack of competition in certain sectors, which contributes to higher prices. Barriers to market entry for new competitors, territorial supply constraints and excessive regulatory restrictiveness for certain professions and service providers limit competition and drive up prices for consumers.

(32) As set in the Competitiveness Compass, all the EU, national, and local institutions must make a major effort to produce simpler rules and to accelerate the speed of administrative procedures. The Commission has set ambitious goals for reducing administrative burden: by at least 25% and by at least 35% for SMEs; and has created new tools to achieve these goals, including systematic stress test of the stock of EU legislation and enhanced stakeholders' dialogue. To match this ambition, Austria also needs to take action. 51% of businesses consider the complexity of administrative procedures to be a problem for their company when doing business in Austria[16]. Accelerating permitting procedures and reducing administrative complexity – especially for SMEs – is another lever to increase competitiveness. Permitting procedures often unduly delay industrial projects, usually extending over 22−23 months from the date of application. A major contributing factor is the limited use of digital tools, with communication still relying heavily on physical document submissions. Accelerating permitting could be achieved by introducing options such as early commencement of preparatory construction works, simplified procedures for public objections, and the deferral of non-essential documentation to later stages of the procedure. Overall, Austria has a high administrative and regulatory burden with business regulation often seen as a greater obstacle to investment than the EU average.

[16] 'Businesses' attitudes towards corruption in the EU' Flash Report, Eurobarometer Report (April 2024):

(33) Austria has made significant progress in its clean energy transition pathway and strengthened its energy security by completely phasing out Russian gas imports by the beginning of 2025. However, for 61% of its energy needs, Austria still relies on imports, particularly oil and gas. Energy prices have risen significantly, with the electricity price for large consumers being the seventh highest in the EU in 2023. This affects price competitiveness, particularly for energy-intensive industries. The major expansion in renewables over the last few years and ambitious renewables targets until 2030 require the grid to be urgently expanded and upgraded as well as a flexibilisation of the energy system. This requires both more investments and speed so additional renewable power generation can be integrated into the system. The cost of network expansion is borne by network users. Network charges rose by an average of 19% in January 2025 to finance ongoing investments, among other things. Work on the new Electricity Market Act (ELWG) to enable a reform of network tariffs, the energy system to become more flexible, or incentives to use power purchase agreements (PPAs) has not yet sufficiently progressed. Currently, renewable PPAs are limited in Austria, with only 0.1 GW contracted.

(34) Representing 40.8% of Austria's total energy consumption, renewable energy makes up a large and increasing share. However, progress on further accelerating the roll-out of renewable energy and the infrastructure it requires has stalled. The expansion of Austria's net-zero technology in particular is still held back by complex and lengthy administrative procedures.

(35) Austria is projected to be on track to reach its emission reduction target, but the pace of decarbonisation in 2024 slowed down compared to the previous year. Emissions are expected to have declined by only 3.7% compared to 6.5% in 2023. The Austrian industrial sector is characterised by high energy intensity and has been slow to decarbonise. Given that many companies have been struggling to absorb significant energy price hikes, improving energy efficiency is important both for reducing emissions and for boosting competitiveness. While most sectors have made progress in this regard, the decarbonisation of transport continues to lag behind. In 2023, the final energy consumption of the transport sector actually increased by 1% compared to the previous year. To address this, the 2024 national energy and climate plan puts forward additional measures that will allow Austria to reach its effort-sharing targets, but their success will depend on these measures being decisively and full implemented.

(36) Labour taxation and social contributions in Austria are among the highest in the EU, hindering job creation and participation in the labour market. Over the last decade, the number of average actual weekly hours worked per person fell from 35.8 to 33.6 hours. Against the trend in other Member States, the already high share of part-time work increased by 2 percentage points since 2019. At 30.6% in 2024, part-time work remains almost twice as high as the EU average (17.1%). The high tax wedge on labour discourages longer working hours, contributing to labour shortages and limiting economic potential.

(37) The share of women working part-time is among the highest in the EU. This also reflects their high level of participation in unpaid care work and the insufficient availability of, and access to, affordable and high-quality early childhood education and care. Despite efforts to expand the availability of early childhood education and care, the percentage of children under 3 years of age participating in formal early childhood education and care remains well below the EU average. This is coupled with regional disparities in the availability of places for early childhood education and care, as well as with staff shortages.

(38) Although the employment rate of older workers (55 to 64 years) has increased continuously over the last decade to reach 58.8% in 2024, it remains well below the EU average of 65.2%. Older workers have difficulties reintegrating into the labour market, ranging from limited digital skills to preconceptions towards older workers. People with a low level of qualification, who only attained the compulsory level of school education are particularly vulnerable and represent the highest share of unemployed people in Austria. Similarly, people with a migrant background and people with a disadvantaged socio-economic background have lower levels of attainment in the labour market and face particular barriers to entering the labour market. This is compounded by challenges regarding inadequate language skills and limited recognition of qualifications.

(39) According to the 2022 OECD Programme for International Student Assessment (PISA), the underperformance of pupils in acquiring basic skills has increased, especially for those with a migrant and/or disadvantaged socio-economic background or those born abroad. The increasing share of pupils with a migrant and/or disadvantaged socio-economic background entering education without sufficient language skills poses challenges for teachers. Furthermore, shortages of teachers present an additional obstacle to improving educational outcomes. Moreover, worsening basic skills among school pupils are carried into adulthood, particularly among those with a migrant and/or disadvantaged socio-economic background. While Austria continues to implement a wide range of reforms to improve the performance of its education system, strengthening the development of basic and STEM skills at every stage from children's education to adult learning is key to addressing skills shortages.

(40) Shortages of skilled workers remain a bottleneck for Austria's growth potential. 72% of companies identify this as a major obstacle to investment[17]. In particular, despite recent measures, the lack of green skills hampers both the competitiveness of sectors key for the green transition and risks delaying Austria in reaching its climate targets. In addition, there is currently no dedicated strategy to address job losses anticipated in carbon-intensive industries as Austria moves toward a net-zero economy. Boosting existing upskilling programmes could unlock untapped labour supply and boost Austria's net-zero industry. Providing targeted support to individuals in occupations and regions at risk of being negatively affected by large-scale decarbonisation efforts is particularly crucial for ensuring broad public support for the green transition.

(41) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2025, the Council recommended that the euro-area Member States take action, including through their recovery and resilience plans, to implement the 2025 Recommendation on the economic policy of the euro area. For Austria, recommendations (2), (3) and (5) help implement the first euro-area recommendation on competitiveness, while recommendations (1), (4) and (5) help implement the second euro-area recommendation on resilience, and recommendation (1) helps implement the third euro-area recommendation on macroeconomic and financial stability set out in the 2025 Recommendation.

17 EIB Investment Survey 2024 Country Overview: Austria p. 17.

HEREBY RECOMMENDS that Austria take action in 2025 and 2026 to:

1. Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025. Adhere to the maximum growth rates of net expenditure recommended by the Council on 8 July 2025. Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 8 July 2025. Take decisive action to safeguard the sustainability of public finances, including by improving the fiscal sustainability of the healthcare, long-term care and pension systems, by, among other things, streamlining hospital infrastructure, improving the cost-effectiveness of healthcare and long-term care, strengthening expenditure control and significantly increasing the effective retirement age. Simplify and rationalise fiscal relationships and responsibilities across layers of government and ensure financing and spending responsibilities are clearly aligned. Improve the tax mix to reduce the high tax wedge on labour and support inclusive and sustainable growth in a challenging fiscal environment.

2. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, ensure the effective implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the opportunities provided by the InvestEU programme and the Strategic Technologies for Europe Platform, to improve competitiveness.

3. 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. 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. Simplify regulation, reduce administrative burden, particularly for SMEs, accelerate permitting procedures and strengthen competition to lower prices.

4. 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. Reduce 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. Further reduce emissions, particularly in the transport sector and by advancing industrial decarbonisation. Improve energy efficiency.

5. Create incentives to boost the numbers of hours worked overall and the full-time labour market participation of women, including by improving framework conditions and notably the quality and availability of childcare services. Improve labour market outcomes for older workers and for disadvantaged groups, such as low-skilled job seekers and people with a migrant background, and raise the levels of basic skills, starting from an early age, notably at school level. Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.

Done at Brussels,

For the Council
The President