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# Morningstar DBRS Confirms Republic of Austria at AAA, Stable Trend

**Industry:** Governments
**Subindustry:** Sovereigns
**Region:** Europe

DBRS Ratings GmbH (Morningstar DBRS) confirmed the Republic of Austria's (Austria) Long-Term Foreign and Local Currency – Issuer Ratings at AAA. At the same time, Morningstar DBRS confirmed Austria's Short-Term Foreign and Local Currency – Issuer Ratings at R-1 (high). The trend on all ratings is Stable.

## KEY CREDIT RATING CONSIDERATIONS

The confirmation of the Stable trend reflects Morningstar DBRS' view that Austria's credit fundamentals remain solid, despite uncertainty on the composition of the incoming government. The failure of government coalition talks so far is raising uncertainty over policy priorities, particularly with regards to fiscal policy. Morningstar DBRS takes the view that the reinstatement of EU fiscal rules will raise pressure on the incoming government to step up fiscal consolidation efforts, and that the incoming government will likely adopt a prudent fiscal adjustment strategy. On a no policy change basis, the Fiskalrat, the country's fiscal watchdog, forecasts the general government budget deficit to widen to 3.9% of GDP in 2024 and 4.1% in 2025, up from 2.6% of GDP in 2023, thereby raising the prospect of the European Commission (EC) initiating an excessive deficit procedure. Economic growth is projected to gradually recover following contractions over the past two years. According to forecasts by the Österreichische Nationalbank (OeNB), the economy is expected to grow by 0.8% in 2025 and 1.6% in 2026. The forecast is supported by a gradual pick up in private consumption and external demand, with investments recovering slowly. Weaker-than-expected external demand from Austria's main trading partners, especially Germany, and rising global trade tensions are considerable downside risks to growth prospects.

The credit ratings are underpinned by Austria's prosperous, diversified, and stable economy. Real GDP per capita in purchasing power terms is about 20% higher than the European Union (EU) average. Austria's high institutional quality fosters sound policy management. The country's external position is solid. However, population ageing will weigh on economic prospects and public finances, with increased defense and climate spending needs expected to add to fiscal pressures over time.

## CREDIT RATING DRIVERS

One or a combination of the following factors could lead to a downgrade: (1) the government's commitment to improve its public finances weakens significantly over the medium term; or (2) there is a material worsening in macroeconomic prospects, leading to a persistent and significant increase in the public debt ratio.

## CREDIT RATING RATIONALE

Coalition Negotiations for New Government Are Complicated by Fiscal Pressures

The outcome of Austria's parliamentary election in September 2024 will result in a change in the governing coalition. The outgoing government comprised of the centre-right Österreichische Volkspartei (ÖVP) party and the Greens lost its majority. Although the right-wing Freedom Party (FPÖ) won the largest share of votes (28.8%), ahead of the ÖVP (26.3%) and the centre-left Social Democratic Party of Austria (SPÖ, 21.1%), the sitting chancellor Karl Nehammer (ÖVP) ruled out a coalition with the FPÖ under its leader Herbert Kickl following the elections. However, negotiations for a centrist three-party coalition comprising of the ÖVP, SPÖ and the liberal party NEOS collapsed in early January 2025 after months-long efforts. Chancellor Nehammer, who had advocated for this tie-up, resigned and stepped down as party leader after also abandoning efforts to form a grand coalition with the SPÖ. Under new leadership, the ÖVP may become the junior partner of a FPÖ-led coalition. The failure of a FPÖ-ÖVP government formation would likely lead to new elections. The fiscal priorities of the incoming government remain unclear. Morningstar DBRS takes the view that the fiscal adjustment needs under new EU fiscal rules (see section below) are raising pressure on the incoming Austrian government to adopt consolidation measures, thus complicating coalition negotiations. After frequent changes in government and leadership in recent years, Austria is again facing a period of political uncertainty. But the strong institutional framework in Austria is a strength of the credit profile. Austria is a strong performer on the World Bank's Governance Indicators reflecting a high rule of law, low levels of corruption and stable political and economic institutions.

## Fiscal Deterioration Likely to Trigger Excessive Deficit Procedure

The government narrowed the fiscal deficit (general government) from 8.2% of GDP at the start of the pandemic in 2020 to 2.6% in 2023. However, the improving fiscal results likely came to an end in 2024. The Ministry of Finance (MoF) projects a deficit of 3.3% of GDP in 2024, based on the federal budget execution as of end-September 2024. The Fiskalrat (Fiscal Advisory Council, FAC) forecasts a deficit of 3.9% of GDP, driven by rising expenditure and tax revenue losses resulting from the eco-social tax reform. Expenditure rose due to delayed effects of inflation on public wages and social benefits, higher unemployment and other spending items such as for a housing construction package. The cost resulting from the September 2024 floods are estimated to be limited at EUR 1.1 billion (0.2% of 2024 GDP) according to the FAC, with reconstruction efforts being spread over 2024-25 and partially funded through the shifting of EU transfers. Energy support measures such as the electricity price brake and energy levy reduction will be phased out as of January 2025.

Austria's fiscal outlook has deteriorated for several reasons, including tax cuts and the partial indexation of tax brackets enacted by the outgoing government, higher spending on climate and childcare, and additional spending on health and long-term care under the fiscal equalisation scheme. The Österreichisches Institut für Wirtschaftsforschung (WIFO), FAC and OeNB all project deficits well above 3% of GDP over the medium term. A looming excessive deficit procedure (EDP) under EU fiscal rules is thus increasing fiscal consolidation pressure for the incoming government. The MoF forecasts a fiscal adjustment of EUR 6.3 billion (more than 1% of GDP) is needed in 2025 to prevent the opening of an EDP. The EC is likely to open an EDP end of January 2025 as the formation of a government and the outline of fiscal consolidation plans failed so far. Austria will provide its budget plans once a new government is in place. Until then, fiscal policy will operate under preliminary budget rules ("Budgetprovisorium"), which bind the government to budget ceilings from the 2024-27 Federal Budgetary Framework Law.

Austria faces additional fiscal vulnerabilities in the medium and long term because of the expected rise in age-related expenditures, in addition to higher spending needs for climate and defense. According to the 2024 Ageing Report, ageing cost (incl. gross public pensions, health and long-term care), which are already among the highest in the EU at 23.1% of GDP in 2022, will rise by 2.1 percentage points (pps) by 2035, largely driven by the rising cost of gross public pensions. Morningstar DBRS takes the view that

Austria will likely address fiscal pressures. The country has a track record of fiscal consolidation over 2010-19, and the IMF estimates that the country could generate fiscal room of more than 3% of GDP over the next decade through reducing energy-intensive subsidies, healthcare and pension reforms as well as increasing tax revenue collection. Morningstar DBRS will assess the fiscal plans of the incoming government once presented.

Economic Growth is Projected to Recover Gradually but Downside Risks Remain

The recession in Austria persisted into 2024 with negative year-on-year (yoy) growth rates in the first three quarters of the year. On an annual basis, the OeNB projects a contraction of 0.9% in 2024, driven by weak external demand for industrial goods, lower investment and sluggish private consumption, despite strong real wage growth. The OeNB forecasts real GDP growth of 0.8% this year before accelerating to 1.6% in 2026, helped by a gradual rebound of private consumption and moderate expansion of external demand. Private consumption is projected to strengthen gradually on the back of continued, albeit moderating, real household income gains and a declining savings rate. The average annual unemployment rate is anticipated to peak at 5.3% in 2025 (up from the 2022 low of 4.8%) before falling again. Investment, which suffered from worsening financing conditions, will likely recover more slowly, with businesses looking for a sustained recovery of external demand.

The key risk to Austria's growth recovery emanates from the external environment, especially if current growth projections for Germany fail to materialise. A significant increase in US tariffs, with the US being the second largest export destination (7.3% of total exports in 2023), would weigh on Austria's open economy. An additional risk to the growth outlook stems from the scale and design of fiscal consolidation. Risks stemming from energy imports should be limited. Austria remained dependent on Russian gas throughout 2024, with the share of Russian gas increasing to almost 90% of total gas imports, after temporarily falling in 2022. Although the Russian energy company Gazprom ceased delivering gas to the Austian energy company OMV mid-November 2024 because of a legal dispute, Russian gas continued to flow to Austria with price effects remaining relatively contained. However, as of 1 January the Russian gas transit through Ukraine ended. The Austrian authorities calculated that gas shortages will be prevented thanks to large reserves and increased import capacities from Germany and Italy, but the country will likely face gas price volatility.

On a structural level, Austria's credit ratings benefit from its high GDP per capita, relatively low output volatility, and high diversification. The country enjoys a high level of integration in the EU bloc, which generally supports the country's external competitiveness. However, rising nominal unit labour costs and relatively higher energy prices are weighing on competitiveness and putting energy-intensive export industries at a disadvantage. Medium-term economic prospects are also partly constrained by demographic pressures and structural change in automotive industry.

Elevated Stock of Debt is Projected to Rise Again but Debt Affordability Benefits from Favourable Debt Profile

As result of deteriorating fiscal balances and lower nominal GDP, the government debt ratio is projected to rise on a no policy change basis, compared to a previously expected stabilisation. After peaking at 83.2% of GDP in 2020, the general government debt ratio decreased to 78.6% in 2023, but the government now foresees a rise to 79.3% in 2024. The FAC projects an increase to 81.6% by the end of this year, more than 10 pps higher than the pre-pandemic 2019 level, and that the debt burden will surpass the pandemic peak in 2027. Reflecting the ECB's interest rate cuts, government borrowing yields have moderated somewhat in the past year, after increasing substantially over 2023. The 10-year Bund spread narrowed to around 40 basis points as of December 2024. Austria's sound debt affordability and favourable debt profile is limiting the rise in total interest payments on the federal debt. Interest payments are expected to reach 1.1% of GDP in 2024, up from 0.9% a year prior. As higher levels of debt are refinanced at higher rates, general government interest costs in % of GDP will continue to rise moderately to 1.6% by 2028 according to the FAC, up from the low of 1.0% in 2022, but well below the 2010-19 average of 2.3%. The stock of contingent liabilities of 15.2% of GDP in 2022 is on a declining trend according to estimates by the government and is not expected to weigh significantly on public finances. All of these factors contribute to lowering debt sustainability risks and lend support to Morningstar DBRS' positive qualitative adjustment in the "Debt and Liquidity" building block assessment.

External Finances Benefit From Recovering Current Account Position And Growing Net External Asset Position

Austria's external position is sound and benefits from service exports as well as a diversified manufacturing base that is well integrated into EU value chains. The twin pandemic and energy crisis shock only burdened the current account balance temporarily, with the deterioration in terms of trade associated to the sharp increase in energy import prices resulting in a current account deficit at 0.9% of GDP in 2022. With tourism recovering almost to pre-pandemic levels and the terms of trade reversing due to lower energy prices, Austria swung back to a surplus at 1.3% of GDP in 2023. The OeNB forecasts a further strengthening of the current account surplus to 2.5% by 2027, above the pre-pandemic 2010-19 average of 1.9%, despite weaker external competitiveness driven by stronger unit labour cost rises and a large loss of market share in 2024. Morningstar DBRS views the risk of a further strong deterioration of Austria's external competitiveness as contained at the moment, as the inflation differential and wage gap with the country's main trading partners is narrowing, which should curtail losses in market shares over the next years.

Austria's credit ratings benefit also from a healthy positive net international investment position (NIIP) at 16.6% of GDP in 2023, with the position improving to a record level of 22.0% as of June 2024. The NIIP shifted to a net asset position in 2013, reflecting a growing stock of foreign direct investment abroad as well as a decline in inward portfolio investment.

Sound Banking System, Moderate Household Debt, and Macroprudential Measures Mitigate Risks to Financial Stability

Risks to financial stability remain contained thanks to the strong level of capitalization and profitability in the banking system and strict real estate lending standards. Austrian banks' sound capital position and profitability should help to cushion the deterioration in credit quality, which started in late 2023 with bankruptcies in the construction and commercial real estate (CRE) sector. Asset quality could continue to weaken as a result of weak economic conditions, including expectations of slightly higher unemployment, and unfavourable financing conditions. The consolidated nonperforming loan (NPL) ratio of the Austrian banking sector rose to 2.7% as of mid-2024 (up from the 2.1% low in 2022) and banks' risk provisioning did not keep up with the increase. In this context, Austria's Financial Market Stability Board (FMSB) increased buffer requirements for some large banks. Austrian banks' exposure to Central, Eastern and South-eastern Europe (CESEE) countries is elevated, although it provides a certain degree of diversification with profits reaching a new high of EUR 3.1 billion in the first half of 2024. Exposure to Russia, where Austria's second largest bank remains active despite a significant reduction in loans to Russian customers, is also a point of attention.

Furthermore, pockets of vulnerability might emerge from banks' comparatively large exposure to CRE. This exposure amounts to almost 14% of the banking sector's aggregate assets. Non-performing CRE loans increased faster than loan loss provisions and the FMSB recommended to set a sectoral risk buffer of 1% for risk-weighted CRE assets starting from July 2025. Stricter residential real estate (RRE) lending standards halved the share of new lending with a debt service-to-income above 40% and lowered NPLs of RRE loans since mid-2022, which together with the partial unwinding of price overvaluations reduced systemic risks in the RRE market.

Residential property prices decreased at a rate of around 2.5% yoy over the past quarters. The moderate price decreases brought the OeNB's property price overvaluation index down to 8.3% in April 2024 (from 36% peak two years prior); although price decreases for Vienna were more pronounced, the property price overevaluation still stood at 16.6% (down from 42%). Household debt affordability deterioration is slowly reversing with falling interest rates. Household indebtedness is mitigated by the moderate amount of debt relative to income, while sound net financial assets provide a buffer for households to absorb potential shocks. The share of outstanding lending with variable rates continues to remain above the European average, though it declined to less than 40% for households as of mid-2024. In view of the financial risks, including CRE exposures and the still high share of variable rates, Morningstar DBRS applies a negative qualitative adjustment to the "Monetary Policy and Financial Stability" building block assessment.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

There were no Environmental, Social or Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (13 August, 2024) https://dbrs.morningstar.com/research/437781.

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

EURO AREA RISK CATEGORY: LOW

**Notes:**
All figures are in euros unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (15 July, 2024) https://dbrs.morningstar.com/research/436000. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings https://dbrs.morningstar.com/research/437781 in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

The sources of information used for these credit ratings include Statistik Austria, Österreichisches Institut für Wirtschaftsforschung (WIFO, Monthly reports – October 2024), Österreichische Nationalbank (OeNB, Financial Stability report – November 2024; Austria's Economic Outlook – December 2024), Österreichische Bundesfinanzierungsagentur (OeBFA, Investor Presentation – December 2024), Austrian Ministry of Finance (BMF, Economic Developments and Public Finances 2023-2027 – April 2024; Report on Federal Budget Execution January to September 2024 – October 2024), Fiskalrat (FAC, Public Finance Report 2023-2028 – December 2024; Budget Outlook 2024 and 2025 – November 2024), European Commission (2024 Country Report - Austria – June 2024; Council Recommendation on the economic, social, employment, structural and budgetary policies of Austria – June 2024; Autumn forecast 2024), International Monetary Fund (2024 Article IV Consultation - Press Release, Staff Report; and Statement by the Executive Director for Austria; Austria Selected Issues – May 2024), Ministry of Climate Action and Energy (Austrian Energy Info Portal – January 2025), Austrian Energy Agency (Gas supply scenarios in Austria report – June 2024), E-Control, Social Progress Imperative, Transparency International, European Central Bank, Eurostat, International Monetary Fund (IMF WEO October 2024, IFS), Organisation for Economic Co-operation and Development (OECD), World Risk Report 2024, World Bank, Bank for International Settlements, Federal Ministry of the Interior, Austrian Parliament, Haver Analytics, Macrobond. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

With respect to FCA and ESMA regulations in the United Kingdom and European Union, respectively, these are unsolicited credit ratings. These credit ratings were not initiated at the request of the issuer.

With Rated Entity or Related Third Party Participation: YES
With Access to Internal Documents: NO
With Access to Management: NO

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: https://registers.esma.europa.eu/cerep-publication. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see https://data.fca.org.uk/#/ceres/craStats.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: https://dbrs.morningstar.com/research/445708/.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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Initial Rating Date: 21 June 2011
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For more information on this credit or on this industry, visit dbrs.morningstar.com.

| Issuer | Debt Rated | Credit Rating Action | Credit Rating | Trend |
|---|---|---|---|---|
| Austria, Republic of | Long-Term Foreign Currency - Issuer Rating | Confirmed | AAA | Stable |
| Austria, Republic of | Long-Term Local Currency - Issuer Rating | Confirmed | AAA | Stable |
| Austria, Republic of | Short-Term Foreign Currency - Issuer Rating | Confirmed | R-1 (high) | Stable |
| Austria, Republic of | Short-Term Local Currency - Issuer Rating | Confirmed | R-1 (high) | Stable |

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# Austria

Scorecard Indicators

| Fiscal Management and Policy | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Source | Current Scorecard Input | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Overall Fiscal Balance (% of GDP) | 0.6% | -8.0% | -5.8% | -3.3% | -2.6% | -3.4% | -3.3% | -3.0% | -2.8% | IMF WEO | 13 year average | -2.7% |
| Government Effectiveness (Percentile Rank) | 91.4 | 93.8 | 93.8 | 91.5 | 89.6 | - | - | - | - | World Bank | 5 year average | 92.0 |
| **Debt and Liquidity** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | | | |
| General Government Gross Debt (% of GDP) | 70.6% | 82.9% | 82.5% | 78.4% | 77.5% | 78.7% | 79.6% | 79.7% | 79.8% | IMF WEO | 5 year projection | 80.7% |
| Interest Costs (% of GDP) | 1.2% | 1.1% | 0.9% | 0.7% | 0.8% | 1.2% | 1.3% | 1.4% | 1.4% | IMF WEO | 5 year average | 1.1% |
| **Economic Structure and Performance** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | | | |
| GDP per Capita (USD thousands) | 50.2 | 48.8 | 53.7 | 52.5 | 56.9 | 58.7 | 61.1 | 63.7 | 65.8 | IMF WEO | 10 year average | 50.9 |
| Output Volatility (%) | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.4% | - | IMF WEO | Latest | 2.5% |
| Economic Size (USD billions) | 445 | 435 | 480 | 471 | 518 | 536 | 559 | 584 | 605 | IMF WEO | 5 year average | 488 |
| **Monetary Policy and Financial Stability** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | | | |
| Rate of Inflation (%, EOP) | 1.8% | 1.0% | 3.8% | 10.5% | 5.7% | 1.9% | 2.6% | 2.1% | 2.1% | IMF WEO | 13 year average | 2.9% |
| Total Domestic Savings (% of GDP) | 201% | 226% | 229% | 204% | 197% | 198% | - | - | - | ECB/IMF | Latest[1] | 198% |
| Change in Domestic Credit (% of GDP) | -0.1% | 10.8% | 0.7% | -11.9% | -9.0% | -1.3% | - | - | - | ECB/IMF | 7 year average[1] | -1.6% |
| Net Non-Performing Loans (% of Capital) | 6.0% | 4.0% | 3.1% | 2.7% | 5.6% | 5.7% | - | - | - | IMF IFS | Latest[1] | 5.7% |
| Change in Property Price/GDP Index (%) | 0.0% | 14.7% | 5.8% | -4.7% | -8.7% | -2.9% | - | - | - | OeNB/IMF | 7 year average[1] | 1.0% |
| **Balance of Payments** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | | | |
| Current Account Balance (% of GDP) | 2.4% | 3.4% | 1.6% | -0.3% | 2.7% | 2.6% | 2.4% | 2.3% | 2.2% | IMF WEO | 8 year average | 2.1% |
| International Investment Position (% of GDP) | 13.3% | 11.5% | 14.4% | 16.1% | 16.4% | 21.6% | - | - | - | IMF | 5 year average[1] | 16.0% |
| Share of Global Foreign Exchange Turnover (Ratio) | 205.2% | 206.4% | 209.7% | 203.9% | 206.8% | 208.7% | - | - | - | BIS/IMF | Latest | 208.7% |
| Exchange Rate Classification (see footnote) | 5 | 5 | 5 | 5 | 5 | 5 | - | - | - | IMF | Latest | 5 |
| **Political Environment** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | | | |
| Voice and Accountability (Percentile Rank) | 94.7 | 95.7 | 94.7 | 94.2 | 93.6 | - | - | - | - | World Bank | 5 year average | 94.6 |
| Rule of Law (Percentile Rank) | 98.6 | 97.1 | 97.1 | 95.8 | 97.2 | - | - | - | - | World Bank | 5 year average | 97.2 |

*See Morningstar DBRS' Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.*

*[1] Scores for 2024 have been computed using the most recent data when year-end data is not available.*

Rating Committee Date: 7-Jan-2025

# Austria

Building Block Assessments and Rating Committee Summary

7-Jan-2025

| Building Blocks | Scorecard Result | Quantitative Assessment | Net Impact of Qualitative Factors | Building Block Assessment |
|---|---|---|---|---|
| Fiscal Management and Policy | 16.66 | Strong/Good | N/A | Strong/Good |
| Debt and Liquidity | 12.26 | Good/Moderate | + 1 Category | Good |
| Economic Structure and Performance | 14.33 | Good | N/A | Good |
| Monetary Policy and Financial Stability | 19.44 | Very Strong | - 1 Category | Strong |
| Balance of Payments | 15.00 | Strong/Good | N/A | Strong/Good |
| Political Environment | 20.00 | Very Strong | N/A | Very Strong |
| **Overall Assessment** | **Composite Scorecard Result** | **Scorecard Rating Range** | **Composite Building Block Assessment** | **Indicative Rating Range** |
| | 81.4 | AAA - AA | 81.4 | AAA - AA |

**Austria's Long-Term Foreign Currency - Issuer Rating** AAA

Main topics discussed in the Rating Committee include: Political uncertainty as result of failure of government formation so far, fiscal developments and outlook, trajectory of government debt, macroeconomic developments and outlook, external finances, financial stability and banking sector exposure to CRE. For additional details on Morningstar DBRS analysis and opinions, please see the accompanying rating report.

**Morningstar DBRS Scorecard: Scoring Ranges and Associated Assessment Categories**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Lower Bound | 0.00 | 1.00 | 3.00 | 5.00 | 7.00 | 9.00 | 11.00 | 13.00 | 15.00 | 17.00 | 19.00 |
| Upper Bound | 0.99 | 2.99 | 4.99 | 6.99 | 8.99 | 10.99 | 12.99 | 14.99 | 16.99 | 18.99 | 20.00 |
| Assessment Category | Very Weak | Weak | Weak/ Poor | Poor | Poor/ Moderate | Moderate | Good/ Moderate | Good | Strong/ Good | Strong | Very Strong |

## Austria, Republic of

### ESG Checklist

| ESG Factor | | ESG Credit Consideration Applicable to the Credit Analysis: Y/N | | Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)* |
|---|---|---|---|---|
| **Environmental** | | **Overall:** | N | N |
| | **Emissions, Effluents, and Waste** | Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk? | N | N |
| | **Carbon and GHG Costs** | Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk? | N | N |
| | | Will recent regulatory changes have an impact on economic resilience or public finances? | N | N |
| | | **Carbon and GHG Costs** | N | N |
| | **Resource and Energy Management** | Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive? | N | N |
| | | Is the economy reliant on industries that are vulnerable to import or export price shocks? | N | N |
| | | **Resource and Energy Management** | N | N |
| | **Land Impact and Biodiversity** | Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities? | N | N |
| | **Climate and Weather Risks** | Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy? | N | N |
| | **Passed-through Environmental credit considerations** | Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)? | N | N |
| **Social** | | **Overall:** | N | N |
| | **Human Capital and Human Rights** | Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive? | N | N |
| | | Are labour or social conflicts a key source of economic volatility? | N | N |
| | | Are individual and human rights insufficiently respected or failing to meet the population's expectations? | N | N |
| | | Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights? | N | N |
| | | **Human Capital and Human Rights** | N | N |
| | **Access to Basic Services** | Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy? | N | N |
| | **Passed-through Social credit considerations** | Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)? | N | N |
| **Governance** | | **Overall:** | N | N |
| | **Bribery, Corruption, and Political Risks** | Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges? | N | N |
| | **Institutional Strength, Governance, and Transparency** | Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness? | N | N |
| | | Are regulatory and oversight bodies insufficiently protected from inappropriate political influence? | N | N |
| | | Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct? | N | N |
| | | **Institutional Strength, Governance, and Transparency** | N | N |
| | **Peace and Security** | Is the government likely to initiate or respond to hostilities with neighbouring governments? | N | N |
| | | Is the government's authority over certain regions contested by domestic or foreign militias? | N | N |
| | | Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government? | N | N |
| | | **Peace and Security** | N | N |
| | **Passed-through Governance credit considerations** | Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)? | N | N |
| | | **Consolidated ESG Criteria Output:** | N | N |

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

**Austria, Republic of: ESG Considerations**

10 January 2025

**Environmental**

There were no Environmental factors that had a significant or relevant effect on the credit analysis. Austria's exposure to environmental risks is low and fiscal pressure arising from new investments to achieve climate targets including the reduction of greenhouse gas (GHG) emissions, is not expected to weigh significantly on public finances in the medium term. Austria set itself the target of covering 100% of annual electricity consumption with renewable energy by 2030, up from the already highest share in the euro area at 88%, and carbon neutrality by 2040. A national carbon tax covering emissions outside the European Emission Trading Scheme, accounting for 40% of total emissions, was introduced in October 2022 and is gradually ramped up until December 2025. The IMF assesses that further efforts (incl. higher green public investments) are needed to meet the targets. The country's exposure to disasters in consequences of extreme natural events is low, according to the World Risk Index 2024, although the country faces physical risks from climate change such as floodings. The Austrian treasury continues to be one of the most active issuers of green securities benefitting from a large and diversified investor base.

**Social**

There were no Social factors that had a significant or relevant effect on the credit analysis. The country's respect for human rights is high, and access to quality healthcare and other basic services is very high. According to the 2024 Social Progress Index, Austria ranked 11th out of 170 countries. Austria's economy is highly productive and competitive. GDP per capita amounted to a very high USD 56,856 in 2023. Income inequality is lower than in most advanced economies.

**Governance**

There were no Governance factors that had a significant or relevant effect on the credit analysis. The country benefits from a very high degree of independence and transparency of its institutions. The justice system is perceived as very independent and despite frequent government changes over the past years in part linked to corruption allegations, the perception of corruption in Austria remains very low. The country ranked 20th out of 180 countries in the 2023 Transparency International Corruption Perceptions Index and also favourably according to the World Bank's Worldwide Governance Indicators (WGIs) with a percentile of 83.5 in 2023 for control of corruption. However, both corruption assessments trended down as result of the frequent government changes. The very high institutional quality is also reflected in a strong performance the other respective WGIs. As of 2023, Austria's percentile rank was 89.6 for Government Effectiveness, 93.6 for Voice and Accountability and 97.2 for Rule of Law, respectively.