Republic of Austria

Rating report

Rating rationale

Rising general government debt: The public debt-to-GDP ratio has increased to 81% in 2024, around 10pps above pre-Covid levels in 2019. We expect government deficits to remain elevated, averaging 3.9% of GDP over the next five years, leading public debt to reach 89% of GDP by 2030. Given the weak fiscal outlook, the Council of the EU opened an Excessive Deficit Procedure (EDP) for Austria in July 2025. We estimate that a stabilisation of the public debt level requires a decline of the fiscal deficit to 2.5% of GDP, which seems unlikely in coming years.

Wealthy and diversified economy, but modest growth outlook: Austria's ratings benefit from high wealth levels and a competitive, highly diversified economy. After a robust post-pandemic recovery, economic output declined over the past two years and is expected to stagnate in 2025, growing by just 0.2%. Growth is set to accelerate in 2026 to 0.9%, remaining slightly below its medium-term potential of around 1%.

Strong external position: Austria has a solid track record of current account surpluses. It also has a robust net international investment position with low private sector debt and a favourable external liability structure with low levels of short-term external debt.

Sound banking sector: The banking sector remains strong, underpinned by robust capital and liquidity buffers. Strong net interest income supported resilience in the sector during heightened geopolitical and trade-related uncertainty. Non-performing loans have increased in recent years and a systemic risk buffer for CRE exposures became effective as of July 2025 in response to declining asset quality following weak economic growth.

Debt profile and market access: Austria benefits from very strong market access and a favourable debt profile, with an exceptionally long average maturity and low, although rising, interest rates.

Rating challenges: i) high and rising public debt; ii) persistent budgetary pressures from rising pension and healthcare costs absent reforms; and iii) a subdued economic growth outlook.

Figure 1: Austria's sovereign-rating drivers

<table>
<tr><th colspan="2" rowspan="2">Risk pillars</th><th colspan="2">Quantitative</th><th>Reserve currency*</th><th>Political risk**</th><th>Qualitative****</th><th rowspan="2">Final rating</th></tr>
<tr><th>Weight</th><th>Indicative rating</th><th>Notches</th><th>Notches</th><th>Notches</th></tr>
<tr><td colspan="2">Domestic economic risk</td><td>35%</td><td>aa+</td><td rowspan="7">EUR

[+1]</td><td rowspan="7">Austria

[-0]</td><td>0</td><td rowspan="9">AA+</td></tr>
<tr><td colspan="2">Public finance risk</td><td>20%</td><td>a-</td><td>0</td></tr>
<tr><td colspan="2">External economic risk</td><td>10%</td><td>a</td><td>1/3</td></tr>
<tr><td colspan="2">Financial stability risk</td><td>10%</td><td>aaa</td><td>1/3</td></tr>
<tr><td rowspan="3">ESG risk</td><td>Environmental factors</td><td>5%</td><td>a+</td><td>0</td></tr>
<tr><td>Social factors</td><td>7.5%</td><td>b+</td><td>0</td></tr>
<tr><td>Governance factors</td><td>12.5%</td><td>aaa</td><td>0</td></tr>
<tr><td colspan="2">Sovereign Quantitative Model***</td><td colspan="4">aa</td><td>+1</td></tr>
<tr><td colspan="6">Additional considerations</td><td>0</td></tr>
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*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.
**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.
*** Scope's SQM signals an indicative credit rating of 'aa' for Austria, which was approved by the rating committee.
****The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's Sovereign Rating Methodology.

Foreign currency

Long-term issuer rating/Outlook

AA+/Negative

Senior unsecured debt

AA+/Negative

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AA+/Negative

Senior unsecured debt

AA+/Negative

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

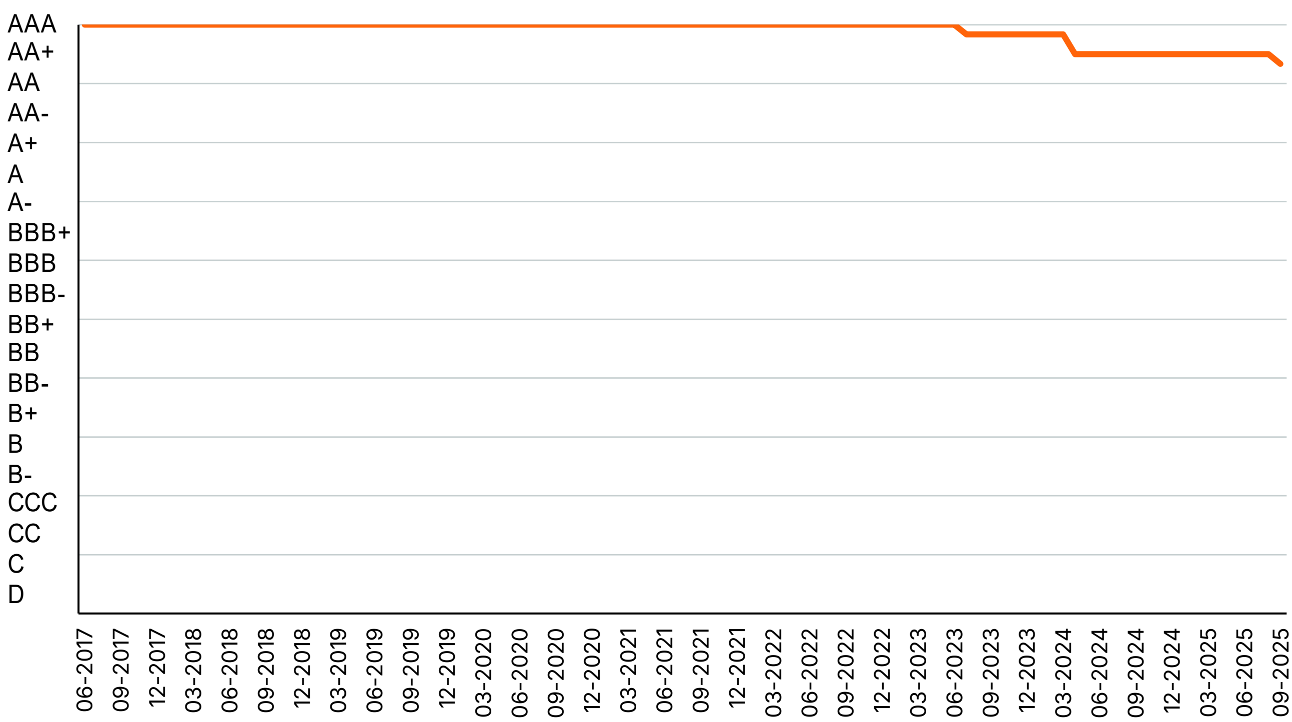
Credit strengths	Credit challenges
• Wealthy and diversified economy • Strong external position with low private sector indebtedness • Sound banking sector • Favourable public debt profile and excellent market access	• High and rising public debt • Budgetary pressure, adverse demographic trend • Subdued economic outlook

Outlook and rating triggers

The Negative Outlook reflects the view that risks for the ratings are skewed to the downside over the next 12-18 months.

Positive rating-change drivers	Negative rating-change drivers
• Improved fiscal outlook, resulting in an improved debt-to-GDP trajectory • Significantly stronger medium-term growth prospects	• Worsening fiscal outlook, resulting in sustained increase in public debt • Deterioration in growth outlook over the medium term • Crystallisation of financial stability risks, with significant negative implications for the economic and/or public finance outlook

Figure 2: Rating history



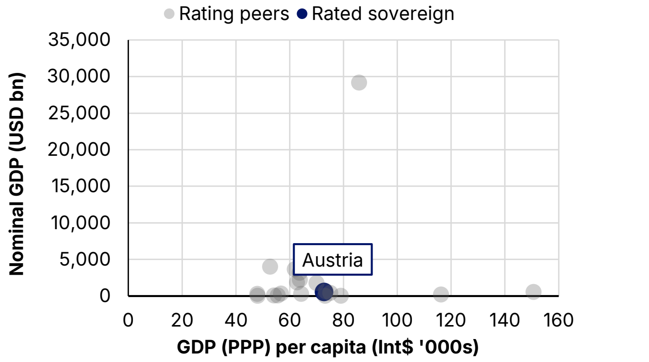
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Austria's *Domestic Economic Risk*

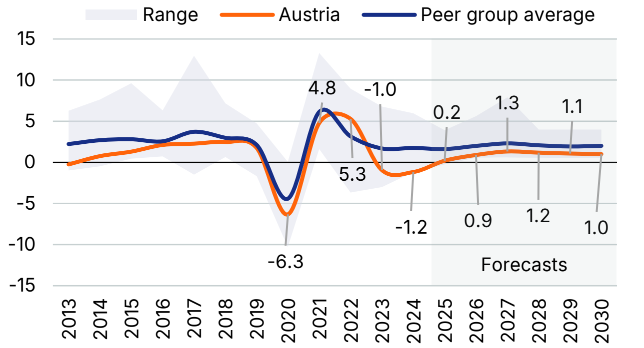
SQM[1] indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Growth potential and outlook	Neutral	0	Low medium-term growth potential; labour supply bottlenecks are a constraint
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank
	Macroeconomic stability and sustainability	Neutral	0	Highly competitive and well-diversified economy; resilient labour market; increasing risk of higher unit labour costs following substantial wage increases

Figure 3: Nominal GDP and GDP per capita (2024E)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



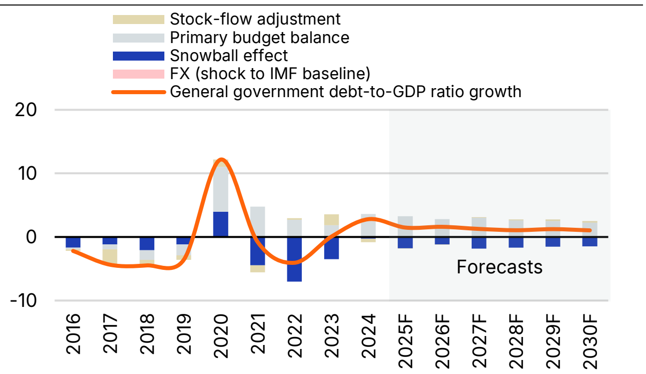
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Austria's *Public Finance Risk*

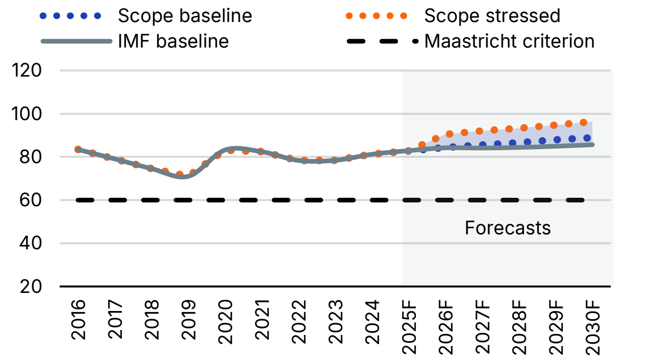
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Fiscal policy framework	Neutral	0	Sizeable budgetary response to Covid-19 and energy crises; pre-crisis budget surpluses; only very gradual medium-term fiscal consolidation
	Long-term debt trajectory	Weak	- 1/3	Elevated public debt level, debt-to-GDP ratio projected to rise gradually, deviating from pre-crisis downward trend
	Debt profile and market access	Strong	1/3	Excellent government market access, low government financing costs, long average maturity of central government debt

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

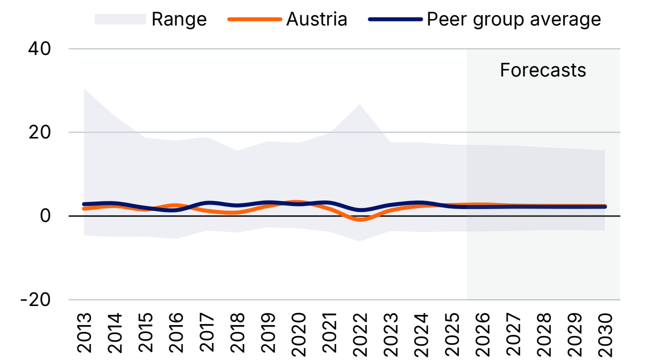
[1] Sovereign Quantitative Model

External economic risk

Overview of Scope's assessments of Austria's *External Economic Risk*

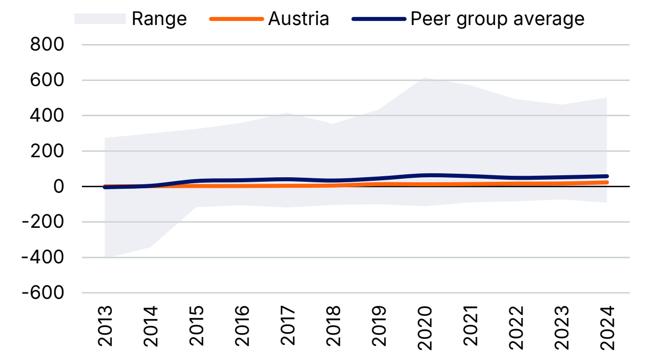
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Current account resilience	Neutral	0	Diversified, competitive export sector; recurrent current account surpluses; net creditor position; some volatility due to energy (especially gas) imports
	External debt structure	Strong	1/3	Low short-term external debt
	Resilience to short-term external shocks	Neutral	0	Highly open economy; benefits from euro area membership in line with peers

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



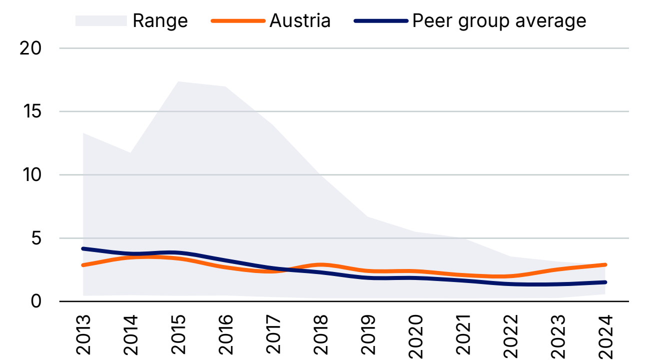
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Austria's *Financial Stability Risk*

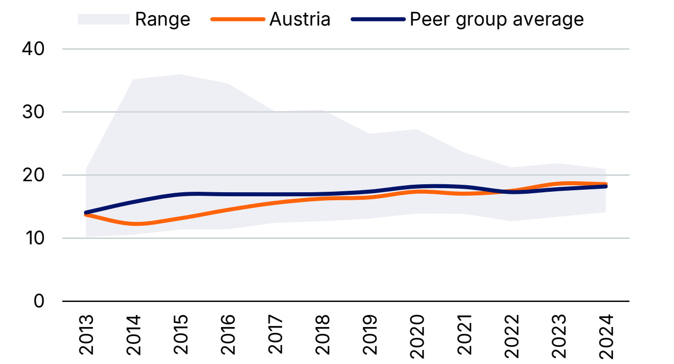
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Adequate banking-system capitalisation, strong earnings and comfortable liquidity, rising NPLs
	Financial sector oversight and governance	Neutral	0	Effective oversight under the national competent authorities and the ECB as part of the banking union
	Financial imbalances	Strong	1/3	Relatively low household and non-financial corporate sector indebtedness; decelerating residential real estate dynamics

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



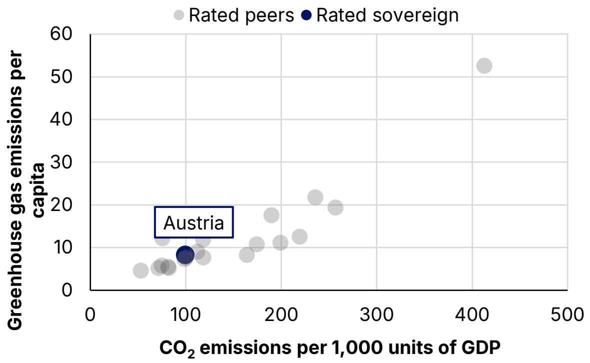
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Austria's *ESG Risk*

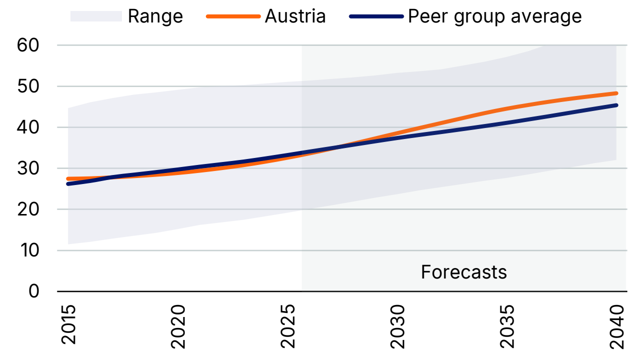
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Neutral	0	High share of renewables and ambitious decarbonisation targets by 2030; gaps remain to climate targets in a 'no policy change' scenario
	Social factors	Neutral	0	Strong social safety net and favourable social outcomes, adverse demographics
	Governance factors	Neutral	0	High-quality institutions and relatively stable political environment

Figure 11: CO_2 emissions per capita/GDP (2023), $mtCO_2e$



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

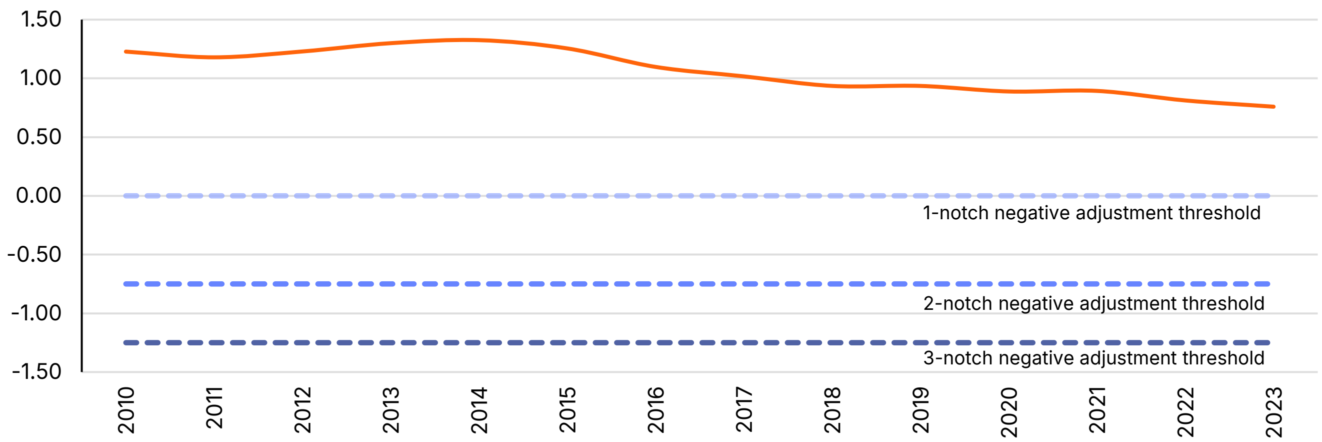
IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	**Euro**	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	**29.3**	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	**1**	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Austria, three-year moving average



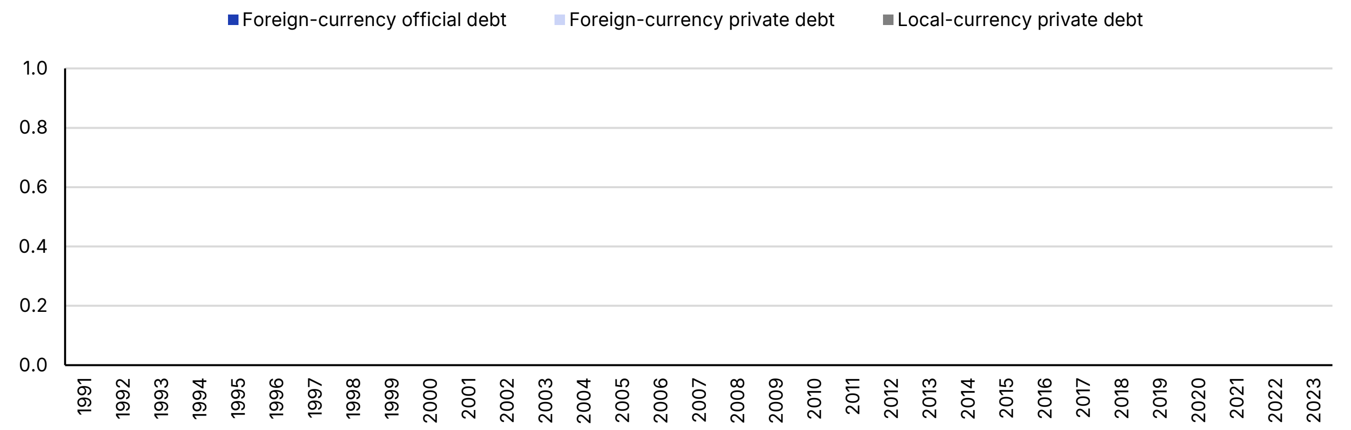
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix 1. Sovereign default history

Sovereign default history, USD bn



Depicted private-debt defaults may not always constitute a credit event under Scope's credit-rating definitions.
Source: Bank of Canada–Bank of England Sovereign Default Database, Scope Ratings.

Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Belgium
Czech Republic
Finland
France
United Kingdom

*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix 3. Economic development and default indicators

IMF Development Classification	Advanced economy
5-year USD CDS spread (bps) as of 11 September 2025	14.99

Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023	2024
Domestic Economic	**GDP per capita (PPP)**, Int$ '000s	IMF	60.5	58.6	63.7	71.5	72.4	72.8
	Nominal GDP, USD bn	IMF	443	434	481	472	513	521
	Real growth, %	IMF	1.8	-6.3	4.8	5.3	-1.0	-1.2
	CPI inflation, %	IMF	1.5	1.4	2.8	8.6	7.7	2.9
	Unemployment rate, %	WB	4.6	5.2	6.5	5.0	5.3	-
Public Finance	**Public debt**, % of GDP	IMF	71.0	83.2	82.4	78.3	78.4	81.2
	Net interest payment, % of government revenue	IMF	2.4	2.3	1.8	1.5	1.6	2.1
	Primary balance, % of GDP	IMF	1.7	-7.1	-4.8	-2.7	-1.8	-3.6
External Economic	**Current-account balance**, % of GDP	IMF	2.4	3.4	1.7	-0.9	1.3	2.4
	Total reserves, months of imports	WB	1.1	1.6	1.3	1.2	1.1	-
	NIIP, % of GDP	IMF	13.4	12.4	13.8	16.3	16.9	23.2
Financial Stability	**NPL ratio**, % of total loans	IMF	2.4	2.4	2.1	2.0	2.5	2.9
	Tier 1 ratio, % of risk-weighted assets	IMF	16.1	15.9	17.2	16.2	17.3	18.2
	Credit to the private sector, % of GDP	WB	86.3	93.1	93.1	89.5	84.9	83.8
ESG	**CO_2 per EUR 1,000 of GDP**, $mtCO_2e$	EC	117.4	114.9	116.5	102.8	99.6	-
	Income share of bottom 50%, %	WID	24.4	23.7	23.7	23.7	23.7	
	Labour-force participation rate, %	WB	76.9	76.5	77.1	77.7	78.0	78.1
	Old-age dependency ratio, %	UN	28.4	28.9	29.4	30.0	30.8	31.6
	Composite governance indicators*	WB	1.5	1.5	1.4	1.4	1.4	-
	Political stability, index	WB	0.9	0.9	0.9	0.8	0.8	-

*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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Applied methodology

Sovereign Rating Methodology, January 2025

Related research

Austria: persistent fiscal pressures coupled with weak growth challenge resilience to future crises, August 2025
Austria: higher-than-expected fiscal deficits increase pressure to accelerate structural reforms, April 2025

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