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

**Industry Group:** Public Finance – Sovereigns
**Region:** Europe

DBRS Ratings GmbH (DBRS Morningstar) confirmed the Republic of Austria's (Austria) Long-Term Foreign and Local Currency – Issuer Ratings at AAA. At the same time, DBRS Morningstar 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 DBRS Morningstar's view that Austria's government will continue to rebalance its public finances in the medium term. The near-term economic slowdown and the temporary fiscal support, in response to increasing living costs, will not alter significantly the prudent fiscal trajectory in coming years. Moreover, the impact of the eco-social tax reform and the abolition of the cold progression, although putting upward pressure on the deficit, will be mitigated by higher fiscal revenues growth and the unwinding of support measures. Austria's economic downturn is expected to be short-lived alleviated by a sound labour market and the country's reinforced capacity to cope with lower Russian gas deliveries, at least in the near term. Nevertheless, the country remains exposed to supply risks in the medium-term due to the still high reliance on Russian gas imports. Latest estimates from the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung; WIFO) point to GDP growth slowing down to 0.3% from 4.9% in 2022, before accelerating to 1.4% in 2024. The government projects Austria's public debt-to-GDP ratio to fall close 75% of GDP in 2024 from 78.4% in 2022, mainly driven by sound nominal growth and improving public finances, outweighing higher interest costs.

The ratings are underpinned by Austria's prosperous, diversified, and stable economy. The country benefits from a real GDP per capita in purchasing power standard terms that is estimated at about 24% higher than the European Union (EU) average, solid and credible institutions, and a sound external position. Moreover, a conservative fiscal stance is expected to offset fiscal pressures from the cost associated with an ageing population and mitigates the risk stemming from a rather elevated public debt, and some vulnerabilities in the housing market.

## CREDIT RATING DRIVERS

One or a combination of the following factors could lead to a downgrade: (1) Austria's government 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

Sound Labour Market, Tourism Recovery, and Reinforced Capacity to Withstand Lower Gas Imports Reduce Recession Risks

Austria's ratings benefit from its high GDP per capita level, relatively low output volatility, and high diversification. Despite its moderate size, the country enjoys a high level of integration in the EU bloc, which supports Austria's external competitiveness. The sharp recession in 2020 has been followed by a steady economic recovery, on the back of the good performance of the important tourism sector, the recovery in trade, and the pandemic-related support from the government. In Q1 2023, real GDP was around 3.5 percentage points higher than in Q4 2019, better than the Euro Area average. Nevertheless, Austria has been in stagflation since mid-2022, with inflation weighing on consumption, and weaker external demand and high interest rates constraining investment, particularly in the construction sector. This is negatively affecting GDP growth, which is expected to slow down to 0.3% in 2023 from 4.9% last year. However, labour market conditions are sound and are not expected to be materially affected by the economic slowdown. As inflation declines, real wages will bolster consumption supporting an acceleration in GDP growth to 1.4% in 2024. The main risks to the economic outlook are related to the impact of a prolonged monetary tightening, lower supply of gas and inflation remaining higher for longer. Consumer prices in Austria have been growing at a higher pace than in the Eurozone since mid-2022, also because government provided more support to incomes rather than containing energy prices. This was aimed to preserve price signals power, maintain the impulse on demand without exacerbating imbalances. However, risks of a price-wage spiral remain limited, with inflation expected to decline over the medium-term.

Austria's capacity to withstand reduced Russian gas exports has improved but progress with diversification away from Russia could be slow. Elevated energy prices have not prompted rationing, and gas consumption savings, thanks also to favourable weather conditions and government purchases of gas reserves, enabled the country to maintain sizeable gas storage levels, currently at 84.2%. This situation, however, along with still significant reliance on Russian gas deliveries, to some extent reduces the pressure on accelerating the medium-term diversification strategy, but exposes the country to supply risk over the medium term. Nevertheless, with reduced Russian gas deliveries, given its geographical position, Austria is expected to receive more gas via Italy and Germany going forward, also in light of the additional gas transport capacity secured by the Austrian energy company OMV until 2028.

Medium-term economic prospects are partly constrained by restrictive regulations in the services markets; a high part-time employment rate among women; and the high tax wedge, which—although expected to decline—constrains potential GDP. However, with the tax reforms and other measures included in Austria's Recovery and Resiliency Plan (ARRP), the government aims to mitigate these constraints.

Fiscal Trajectory Should Continue to Improve Despite the Impact of the Tax Reforms

The economic rebound, along with a gradual withdrawal of the support measures, is facilitating public finance repair after the sizeable deterioration in the budget balance in 2020. The deficit peaked at a record level of 8.0% of GDP in 2020 but it declined substantially to 3.2% in 2022, despite the costly energy and anti-inflation related packages and expenditures for gas reserves. The government aims to extend further support this year but the fall in energy prices is likely to result in a lower take-up of energy subsidies. This would help the deficit to decline slightly below 3.2% of GDP, envisaged in the Stability Programme in April. Sound nominal growth should continue to support a positive trend of revenues despite the impact of the eco-social tax reform and the abolition of the cold progression. Coming years will also see likely higher military spending and social benefits, but this should not prevent the deficit from falling close to 1.0% of GDP in 2026, according to government estimates.

In DBRS Morningstar's view, Austria's additional fiscal vulnerabilities relate more to the long term because of the expected rise in the cost of age-related expenditures. In particular, according to the government, health and long-term care expenditures will increase to 8.5% and 3.1% of GDP in 2060 from 7.1% and 1.3% of GDP in 2019, respectively. At the same time, the cost of gross public pensions at 13.4% of GDP in 2019 was one of the highest in the EU and is expected to continue to rise, peaking in 2035 at 15.5%, reflecting a declining working age population and relatively low participation rates among older workers. However, some measures envisaged in the ARRP should contribute to improving the fiscal sustainability of the pension system.

Prudent Fiscal Policy and Sound Debt Profile Mitigate Against the Significant Rise in Yields

Sustained nominal GDP growth along with the unwinding of fiscal measures support DBRS Morningstar's expectation of a steady decline in the public debt-to-GDP ratio over the medium term. After the peak of 82.9% in 2020 the debt ratio declined to 78.4% last year. The withdrawal of pandemic- and energy-related support should further contribute to public finance repair while nominal growth will remain sustained, related to high inflation in the 2023–24 period. These factors should outweigh the rising nominal interest bill and lead the debt-to-GDP ratio to decline to close to 75.0% of GDP in 2024.

Yields have been increasing substantially reflecting the tightening in monetary policy but debt affordability remains sound thanks to a favourable debt profile. As the debt is expected to be refinanced at a higher rate, the cost of total effective interest payments on the federal debt is projected to rise to 1.23% of GDP in 2026 from 0.72% in 2022, a level that if reached would remain below that of 2017. One of the longest maturity profiles in the EU, currently more than 11 years, along with the fact that almost all total outstanding federal government debt is at fixed rates, reduces the risk of a rapid rise in the interest bill. The stock of contingent liabilities, estimated at 14.9% of GDP in 2022, is not negligible but is not expected to weigh significantly on public finances. All these factors contribute to lowering the risk of debt sustainability, which lends support to DBRS Morningstar's positive qualitative assessment of the "Debt and Liquidity" building block.

Improving Tourism Flows Alleviate the Impact of the High Energy Bill on Austria's Current Account Position

Austria's external position is sound and benefits from a competitive service sector as well as a diversified manufacturing base well integrated into EU value chains. Despite the pandemic-related restrictions in the 2020 to early 2022 period, and the deterioration in terms of trade associated with the energy shock, Austria's external performance has remained resilient. The rapid recovery in tourism flows mitigated the impact of the rise in energy bills with the current account surplus slightly improving to 0.7% of GDP last year from 0.4% of GDP in 2021. Current data remain encouraging, as the total number of spent nights by foreign tourists have been on average only around 5% lower than 2019 in the first four months of 2023, compared with 25% lower in the same period of 2022. This, along with the fall in energy prices, should contribute to a rise in the current account surplus to 2.1% of GDP this year, according to WIFO, an amount slightly higher than the Austrian pre-pandemic average in the 2009–19 period (2.0%). On the other hand, wage growth has been sustained and, should this trend continue, increasing unit labour costs might not be absorbed by profit margins, which might negatively affect external competitiveness. DBRS Morningstar views this risk as contained at the moment, as wage growth should moderate reflecting a decline in inflation, and the inflation differential with Austria's main trading partners should narrow.

Austria's ratings benefit also from a healthy positive net international investment position (NIIP), which at 17.5% of GDP in Q1 2023 is close to the record level of 21.1% of GDP registered in Q3 2022. Since March 2013 NIIP has shifted to positive reflecting a growing stock of net foreign direct investments as well as an improvement in the negative portfolio investment position over the last years.

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

Risks to financial stability remain contained in Austria thanks to the elevated level of capitalisation in the banking system and the introduction of stricter lending standards in the real estate lending process. Moreover, Austrian banks' sound position, also in terms of improved profitability, should help withstand the expected deterioration in credit quality as a result of high inflation, the tightening in financial conditions, and the phase-out of the pandemic and high-living costs support measures. Austrian banks' exposure to Central, Eastern and South-eastern Europe (CESEE) countries remains elevated although it provides a certain degree of diversification. The banking sector exposure to Russia remains a point of attention in light of the conflict in Ukraine and possible sanctions and counter-sanctions.

The real estate market is stabilising after years of persistent growing overvaluation and together with new binding lending standards they bode well for financial stability. Furthermore, the worsening in household debt affordability, because of the rapid rise in interest rates, is mitigated by the moderate amount of debt. According to the Oesterreichische Nationalbank (OeNB), residential real estate price growth has been decelerating to 1.1% (year-on-year) in the first quarter of 2023, following eight quarters of strong growth of more than 10%, reflecting lower housing loan demand and houses sold. This contributed to a decline in property price overvaluation, which stood at 29% in Austria and at 37% in Vienna in Q1 2023, compared with 37% and 43%, respectively, in Q2 2022. However, according to OeNB, household debt affordability is deteriorating as a result of the monetary tightening and the large share of mortgages at variable rates. Nevertheless, households tend to display high incomes and wealth by international standards. Their balance sheets are strong, reflecting moderate debt in aggregate as a share of gross disposable income, at around 85% over the past five years. Moreover, a relatively high net financial worth, estimated at approximately 127% of GDP as of Q4 2022, provides a buffer for households to absorb potential shocks. New macroprudential binding measures adopted since August 2022, further mitigate risks stemming from risky borrowers.

The Institutional Framework Remains Sound Despite the Frequent Changes in Leadership Over the Past Few Years

In spite of an unusual period of political uncertainty over the past years leading to changes in government leadership, the institutional framework in Austria is sound. This is reflected in very high scores in the World Bank governance indicators as well as in the intrinsic credibility of Austrian institutions. In DBRS Morningstar's view, the coalition government comprising the Österreichische Volkspartei (ÖVP) party and the junior partner (Greens) will likely continue until the end of the legislative term in 2024, although some friction is possible.

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

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at (4 July 2023) https://www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

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 (29 August 2022) https://www.dbrsmorningstar.com/research/401817/global-methodology-for-rating-sovereign-governments. In addition DBRS Morningstar uses the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings https://www.dbrsmorningstar.com/research/416784/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings in its consideration of ESG factors.

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

The sources of information used for these credit ratings include Statistik Austria, OeNB (Financial Stability report – June 2023), Österreichische Bundesfinanzierungsagentur (OeBFA, Investor Presentation – June 2023), Austrian Ministry of Finance (BMF, 2023 Stability Programme – April 2023), EC (Spring forecast 2023 – May 2023, the Digital Economy and Society Index – September 2022), Social Progress Imperative, Entsog, European Central Bank, WIFO, OMV (OMV secures additional gas transport capacities until 2028 – press release 5 July 2023), Eurostat, International Monetary Fund (IMF WEO – April 2023, IFS), Organisation for Economic Co-operation and Development (OECD), Weltrisikobericht, World Bank, Bank for International Settlements, Haver Analytics. DBRS Morningstar 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: YES
With Access to Management: NO

DBRS Morningstar 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. DBRS Morningstar's outlooks and credit ratings are under regular surveillance.

For further information on DBRS Morningstar 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 DBRS Morningstar 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://www.dbrsmorningstar.com/research/417176.

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

Lead Analyst: Carlo Capuano, Senior Vice President, Global Sovereign Ratings
Rating Committee Chair: Nichola James, Managing Director, Co-Head of Sovereign Ratings, Global Sovereign Ratings
Initial Rating Date: June 21, 2011
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DBRS Ratings GmbH, Sucursal en España
Paseo de la Castellana 81
Plantas 26 & 27 28046 Madrid, Spain
Tel. +34 (91) 903 6500

DBRS Ratings GmbH
Neue Mainzer Straße 75
60311 Frankfurt am Main Deutschland
Tel. +49 (69) 8088 3500
Geschäftsführer: Detlef Scholz
Amtsgericht Frankfurt am Main, HRB 110259

For more information on this credit or on this industry, visit www.dbrsmorningstar.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 |

## Contacts

Carlo Capuano
Senior Vice President, Global Sovereign Ratings
+34 91036510
carlo.capuano@dbrsmorningstar.com

Nichola James
Managing Director, Global Sovereign Ratings
+49 (69) 8088 3689
nichola.james@dbrsmorningstar.com

# Austria

Scorecard Indicators

| Fiscal Management and Policy | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Source | Current Scorecard Input | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Overall Fiscal Balance (% of GDP) | -0.8% | 0.2% | 0.6% | -8.0% | -5.9% | -3.3% | -2.7% | -1.5% | -1.1% | IMF WEO | 13 year average | -2.3% |
| Government Effectiveness (Percentile Rank) | 91.8 | 91.8 | 92.3 | 94.7 | 94.7 | - | - | - | - | World Bank | 5 year average | 93.1 |
| **Debt and Liquidity** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | | | |
| General Government Gross Debt (% of GDP) | 78.6% | 74.1% | 70.6% | 82.9% | 82.3% | 77.8% | 74.9% | 72.6% | 71.4% | IMF WEO | 5 year projection | 68.7% |
| Interest Costs (% of GDP) | 1.5% | 1.2% | 1.0% | 0.9% | 0.7% | 0.7% | 0.9% | 1.0% | 1.1% | IMF WEO | 5 year average | 0.8% |
| **Economic Structure and Performance** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | | | |
| GDP per Capita (USD thousands) | 47.3 | 51.2 | 50.2 | 48.9 | 53.5 | 52.3 | 56.8 | 58.2 | 59.9 | IMF WEO | 10 year average | 49.6 |
| Output Volatility (%) | 2.4% | 2.4% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.4% | 2.4% | IMF WEO | Latest | 2.5% |
| Economic Size (USD billions) | 417 | 455 | 445 | 435 | 481 | 472 | 515 | 530 | 549 | IMF WEO | 5 year average | 457 |
| **Monetary Policy and Financial Stability** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | | | |
| Rate of Inflation (%, EOP) | 2.3% | 1.7% | 1.8% | 1.0% | 3.8% | 10.5% | 5.6% | 2.5% | 2.0% | IMF WEO | 13 year average | 2.8% |
| Total Domestic Savings (% of GDP) | 203% | 198% | 202% | 226% | 224% | 200% | - | - | - | ECB/IMF | Latest[1] | 200% |
| Change in Domestic Credit (% of GDP) | -0.5% | 0.2% | -0.3% | 11.0% | -0.7% | -8.8% | - | - | - | ECB/IMF | 7 year average[1] | 0.2% |
| Net Non-Performing Loans (% of Capital) | 10.9% | 8.0% | 5.7% | 4.6% | 3.9% | 3.1% | - | - | - | IMF IFS | Latest[1] | 3.1% |
| Change in Property Price/GDP Index (%) | 0.5% | 2.5% | 0.8% | 11.6% | 4.8% | 0.1% | - | - | - | OeNB/IMF | 7 year average[1] | 3.4% |
| **Balance of Payments** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | | | |
| Current Account Balance (% of GDP) | 1.4% | 0.9% | 2.4% | 3.0% | 0.4% | 0.3% | 1.2% | 0.6% | 1.0% | IMF WEO | 8 year average | 1.2% |
| International Investment Position (% of GDP) | 4.3% | 6.0% | 14.4% | 11.5% | 14.7% | 14.6% | - | - | - | IMF/OeNB | 5 year average[1] | 12.2% |
| Share of Global Foreign Exchange Turnover (Ratio) | 199.8% | 198.3% | 205.5% | 206.6% | 210.2% | 204.6% | - | - | - | BIS/IMF | Latest | 204.6% |
| Exchange Rate Classification (see footnote) | 5 | 5 | 5 | 5 | 5 | 5 | - | - | - | IMF | Latest | 5 |
| **Political Environment** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | | | |
| Voice and Accountability (Percentile Rank) | 95.1 | 94.2 | 95.2 | 95.7 | 94.7 | - | - | - | - | World Bank | 5 year average | 95.0 |
| Rule of Law (Percentile Rank) | 97.1 | 98.6 | 98.6 | 97.1 | 97.1 | - | - | - | - | World Bank | 5 year average | 97.7 |

*See DBRS Morningstar's 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 2022 have been computed using the most recent data when year-end data is not available.*

Rating Committee Date: 11-Jul-2023

# Austria

Building Block Assessments and Rating Committee Summary

11-Jul-2023

| Building Blocks | Scorecard Result | Quantitative Assessment | Net Impact of Qualitative Factors | Building Block Assessment |
|---|---|---|---|---|
| Fiscal Management and Policy | 17.14 | Strong | N/A | Strong |
| Debt and Liquidity | 13.60 | Good | + 1 Category | Strong/Good |
| Economic Structure and Performance | 14.12 | Good | N/A | Good |
| Monetary Policy and Financial Stability | 18.21 | Strong | N/A | 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 |
|---|---|---|---|---|
| | 81.7 | AAA - AA (high) | 83.4 | AAA - AA (high) |

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

Main topics discussed in the Rating Committee include: Austria's reliance on Russian gas, fiscal and economic outlook, recovery in tourism and Austria's external position, banking sector exposure to Russia, public debt-to-GDP trajectory. For additional details on DBRS Morningstar analysis and opinions, please see the accompanying rating report.

**DBRS Morningstar 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 |
| | **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 neighboring 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 risk factor has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

**Austria, Republic of: ESG Considerations**

14 July 2023

**Environmental**

This factor does not affect the ratings. 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. Moreover, the government introduced a carbon tax in October 2022 which is projected to contribute to the national target of carbon neutrality by 2040. The country's reliance on Russian gas is high but it is expected to fall in the medium term, although slower than other EU countries on average reflecting still high Russian gas deliveries. DBRS Morningstar projects the energy shock to boost investment in renewables, but the impact on public finances should remain limited. The country's exposure to disasters in consequences of extreme natural events is low, according to the World Risk Index in 2022. The government plans to dedicate around 59% of total resources of the National Recovery and Resilience Plan (NRRP) to achieve climate targets, which is one of the largest shares among all the EU members' national plans. In light of this, the Austrian treasury continues to be one of the most active issuers of green securities benefitting from a large and diversified investor base.

**Social**

This factor does not affect the ratings assigned to Austria. The country's respect for human rights is high, and access to quality healthcare and other basic services is very sound. According to the 2022 Social Progress Imperative, Austria ranked 11th out of 169 countries. A productive workforce reflecting a high GDP per capita supports the country's competitiveness. Moreover, Austria's human capital score is above the EU average in all the EC Digital Economy and Society Index (DESI) indicators apart from the percentage of firms providing ICT training. The government plans to introduce measures to boost digitisation and encourage female labour market participation, which is somewhat lower than the average among Austria's EU rating peers, according to the OECD.

**Governance**

This factor does not affect the ratings of Austria. 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 political uncertainty caused by a political scandal in 2019 and the resignation of Mr Kurz from the Chancellery in October 2021, the perception of corruption in Austria remains very low. According to the World Bank, the country ranks favourably for control of corruption with a percentile of 86.5 in 2021, which, however, declined slightly from the historical average slightly above 90. Very high institutional quality is reflected also in a strong performance in the World Bank's Worldwide Governance Indicators. As of 2021, Austria's percentile rank was 94.7 for Government Effectiveness, 94.6 for Voice and Accountability and 97.1 for Rule of Law, respectively.