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Morningstar DBRS Changes Trends on Republic of Austria to Negative, Confirms Credit Ratings at AAA

Industry: Governments
Subindustry: Sovereigns
Region: Europe

DBRS Ratings GmbH (Morningstar DBRS) changed the trends on the Republic of Austria's (Austria) Long-Term Foreign and Local Currency – Issuer Ratings to Negative from Stable and confirmed the 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 Short-Term ratings remains Stable.

KEY CREDIT RATING CONSIDERATIONS

The trend change to Negative from Stable reflects growing concerns about larger fiscal deficits and a significant increase in public debt amid a challenging macroeconomic and geopolitical environment. Despite the adoption of large fiscal consolidation measures, the Ministry of Finance (MoF) forecasts the general government budget deficit will remain wide at 4.5% of GDP in 2025 and 4.2% in 2026. This comes after a larger-than-budgeted deficit of 4.7% in 2024. Austria's government debt burden, which is already high compared to AAA-rated peers, is projected to rise to 87.0% of GDP in 2028, surpassing the historic peak of 85.6% in 2015. If the fiscal adjustment underdelivers or economic growth underperforms, the debt-to-GDP ratio could climb even higher.

Near-term economic growth prospects remain weak, weighed down by cyclical headwinds and structural factors. The Österreichisches Institut für Wirtschaftsforschung (WIFO) projects a contraction of 0.3% in 2025, the third consecutive year of negative growth, before recovering to 1.2% growth in 2026. Considerable uncertainty remains in relation to the trade and industry outlook, and private consumption will likely recover only gradually. While Austria's economy is set to benefit from higher external demand next year, in part thanks to the announced fiscal stimulus in Germany, the imposition of U.S. tariffs and associated retaliation pose downside risks to the outlook.

The credit ratings are underpinned by Austria's prosperous, diversified, and stable economy. Real GDP per capita in purchasing power terms is 15% 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. In addition, increasing defense and climate spending needs will likely add to fiscal pressures over time, making the fiscal rebalancing more challenging.

CREDIT RATING DRIVERS

The credit ratings could be downgraded if government debt metrics continue to deteriorate on the back of sizeable structural deficits. The trend could return to Stable if the government achieves a significant improvement in the fiscal deficit over the next 12 to 18 months that reverses the deterioration in the public debt trajectory.

CREDIT RATING RATIONALE

Larger-Than-Budgeted Deficit in 2024 and Weak Macroeconomic Environment Are Weighing on Fiscal Outlook

After narrowing the fiscal deficit from 8.2% of GDP in 2020 to 2.6% in 2023, the fiscal result sharply deteriorated in 2024. Compared to Euro Area peers, Austria recorded a relatively large fiscal deficit of 4.7% of GDP, well above the budgetary target of 2.7%. The deterioration was driven by rising expenditure due to the delayed effects of inflation on public wages and social benefits, higher interest costs, spending priorities of the previous government, as well as costs related to the September 2024 floods. Revenue growth was relatively resilient despite macroeconomic headwinds thanks to strong increases in wage-related revenues. Total general government expenditure rose by 8.8% in 2024, clearly exceeding the 4.9% increase for government revenues. In general, expenditure levels have increased in recent years with the expenditure-to-GDP ratio standing at a high of 56% in 2024, compared to an average of 51% during 2010-19.

Going forward, the fiscal outlook is set to remain challenging due to fiscal policy measures enacted by the previous government including tax cuts, the partial indexation of tax brackets, and additional spending on health and long-term care under the fiscal equalisation scheme. Furthermore, unfavourable economic growth dynamics will weigh on revenues. A looming excessive deficit procedure (EDP) under EU fiscal rules increased fiscal consolidation pressure. The new government (see section below) presented a dual budget for 2025 and 2026, penciling in deficits of 4.5% of GDP in 2025 and 4.2% in 2026. The new government announced net fiscal consolidation measures amounting to EUR 6.4 billion in 2025 (more than 1% of GDP) and a cumulative EUR 8.7 billion in 2026, which will help gradually reduce the deficit. The measures include the abolishment of the climate bonus and other subsidies as well as windfall taxes on energy companies and banks. With net cumulative consolidation efforts growing to more than EUR 13 billion by 2028, the MoF projects the deficit to fall below 3% of GDP from that year onwards. The European Commission is likely to open an EDP in July 2025.

The country also faces medium-term budgetary pressures stemming from the expected rise in age-related expenditures as well as higher spending on climate-related issues and defence. The government targets only a very gradual increase in total defence spending, reaching 2% of GDP by 2032 (from 0.8% of GDP in 2024). According to the 2025 Fiscal Sustainability Report of the Fiskalrat, the country's fiscal watchdog, ageing cost (incl. gross public pensions, health and long-term care), which are already among the highest in the EU at 23.5% of GDP in 2023, will rise by 2.2 percentage points (pps) by 2030, largely driven by the rising cost of gross public pensions. While Austria has a track record of fiscal consolidation, Morningstar DBRS takes the view that budgetary pressures will likely intensify over the medium-term.

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

As result of the large fiscal deficit and lower growth, the government debt ratio rose to 81.8% of GDP in 2024 from 78.5% in 2023. At that level, it edged closer to its 2020 pandemic peak of 83.2% and is more than 10 pps higher than in 2019. The MoF forecasts the debt ratio will increase to 86.2% of GDP in 2026, surpassing the 2015 historic peak of 85.6%. As the fiscal consolidation advances, the MoF projects the debt burden will stabilise at around 87% of GDP over 2027-29. However, if current fiscal targets are not met or growth prospects weaken, the debt ratios could climb even higher. Debt affordability is supported by the low interest burden and a favourable debt profile, which is slowing the rise in total interest payments. The average effective interest rate on the federal debt portfolio was low at 1.9% in 2024, and the average maturity stands at 11.4 years. But as debt is financed at higher rates, general government interest costs will rise from 1.5% of GDP in 2024 to 2.4% in 2029, according to MoF projections, exceeding the 2010-19 average of 2.3%. The stock of contingent liabilities at 13.8% of GDP in 2024 is on a declining trend, according to government estimates, and is not expected to weigh significantly on public finances. These factors lower debt sustainability risks and lend support to Morningstar DBRS' positive qualitative adjustment in the "Debt and Liquidity" building block assessment.

The Economic Recession is Extending into 2025 and Downside Risks to the Recovery Remain

The Austrian economy is likely to contract again this year. Weak external demand for industrial goods, lower investment and sluggish private consumption, despite higher wages, continue to weigh on activity. Uncertainty around global trade policies is increasing

headwinds. On an annual basis, the WIFO projects negative real GDP growth of 0.3% in 2025, following contractions of 1.0% and 1.2% in 2023 and 2024, respectively. The WIFO projects growth of 1.2% and 1.3% in 2026 and 2027. A gradual rebound of private consumption and a moderate expansion of external demand, in part thanks to the announced fiscal stimulus in Germany, are projected to help the Austrian economy return to growth. Due to fiscal consolidation restraining private consumption this year, its recovery is expected to be gradual, supported by rising real disposable incomes and a decline in the savings rate. The unemployment rate is anticipated to peak at 5.3% in 2025 (up from 4.8% in 2022) before falling again. Despite improving financing conditions, investment will likely only pick up again next year, 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 growth in Germany underperforms expectations. A broader trade war with significant increases in U.S. tariffs, associated retaliation, and weaker sentiment would weigh on Austria's open economy. Further risk to the growth outlook stems from additional fiscal consolidation.

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 changes in global automotive industries.

Formation of Centrist Three-Party Coalition Government Coalition Ensures Broad Policy Continuity

Austria's parliamentary election in September 2024 resulted in a change in the governing coalition. A centrist three-party government coalition comprised of the centre-right Österreichische Volkspartei (ÖVP), the centre-left Social Democratic Party of Austria (SPÖ) and the liberal party NEOS took office in March 2025, led by chancellor Christian Stocker (ÖVP). The formation of a new government coalition took five months, longer than any previous government formation, as policy differences across parties impeded coalition negotiations. Talks between the three parties had initially collapsed in early January and only resumed in mid-February after an attempt to form a two-party coalition between the right-wing Freedom Party (FPÖ), the largest party in parliament, and the ÖVP had failed. The three-party coalition's priorities include tightening migration policy, budgetary consolidation, as well as improvements in education, health care and labour market participation. In terms of foreign affairs, the centrist coalition ensures broad policy continuity. The coalition commands a comfortable parliamentary majority, but lasting agreement among the three parties could be difficult in light of persistent budgetary pressures. Austria's institutional quality is a strength of the credit profile. Austria is a strong performer on the World Bank's Governance Indicators, reflecting the rule of law, low levels of corruption, and stable political and economic institutions.

External Finances Benefit from Sound 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. The sharp increase in energy import prices resulted in a current account deficit at 0.9% of GDP in 2022. As energy prices declined, Austria swung back to a surplus of 1.3% in 2023. With tourism levels now exceeding pre-Covid levels and an improving trade balance in goods due to lower imports, the surplus further widened to 2.4% of GDP in 2024. This is slightly above the 2010-19 average of 1.9%. The IMF forecasts that the surplus will increase to 2.8% in 2026, despite higher unit labour costs. 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 few years. Austria's credit ratings also benefit from a positive net international investment position (NIIP). The net asset position improved to a record level of 24.2% at the end of 2024. The NIIP shifted from a net liability position 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.

Financial Condition of the Banking Sector Is Strong, but Asset Quality Risks are Tilted to the Downside

The overall financial condition of the economy's banking sector is strong despite rising asset quality risks. Austrian banks' sound capital position and profitability should help to cushion the potential 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. Pockets of vulnerability might also emerge from banks' comparatively large exposure to CRE. The nonperforming loans (NPL) ratio rose to 2.9% at year-end 2024, with the increase in ailing loans for CRE being even more pronounced, and banks' risk provisioning failing to keep up with the increase. In this context, prudent macroprudential measures with combined capital buffer requirements of 2.5%-5.25% could limit risks, and the Austrian authorities will implement a sectoral risk buffer of 1% for risk-weighted CRE assets starting from July 2025. In light of elevated asset quality risks emanating from CRE exposures, Morningstar DBRS applies a negative qualitative adjustment to the "Monetary Policy and Financial Stability" building block assessment.

Stricter residential real estate (RRE) lending regulation, which will become unbinding mid-2025, have improved lending standards. Together with unwinding price overvaluations, these regulations reduced systemic risks in the RRE market. OeNB's property price overvaluation index stood at 6.7% as of July 2024, down from the 35.4% peak in 2022. Risks from household indebtedness are mitigated by the moderate amount of debt relative to income and sound net financial assets providing a buffer for households to absorb potential shocks. The share of outstanding lending with variable rates continues to remain elevated, but debt affordability is slowly improving with falling interest rates. We expect banks to post sound profitability in 2025, helped by high, albeit declining, interest rates and growing loan volumes. Austrian banks' exposure to Central, Eastern and South-eastern Europe (CESEE) countries is elevated, although it provides a certain degree of diversification. 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.

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 (16 May 2025) <https://dbrs.morningstar.com/research/454196>

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/454196> 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 Bundeskanzleramt (Government Programme 2025-2029), Österreichisches Institut für Wirtschaftsforschung (WIFO, Monthly Reports – April 2025), Österreichische Nationalbank (OeNB, Financial Stability Report – November 2024; Interim Economic Outlook for Austria – March 2025), Österreichische Bundesfinanzierungsagentur (OeBFA, Investor Presentation – May 2025), Austrian Ministry of Finance (BMF, Monthly Report December 2024 / Preliminary Results 2024 – January 2025; Draft Budgetary Plan 2025-26 and Federal Financial Framework 2027-29, National Medium-Term Fiscal-Structural Plan 2025-29, Annual Progress Report – May 2025), Fiskalrat (Budget Outlook 2025 and 2026 – April 2025; Fiscal Sustainability Report – April 2025), Ministry of Climate Action and Energy (Austrian Energy Info Portal – May 2025), Financial Market Authority (FMA, Annual Report 2024 – May 2025), Austrian Parliament, Statistik Austria, European Commission (Debt Sustainability Monitor 2024, March 2025; Spring Forecast 2025), European Central Bank, Eurostat, Organisation for Economic Co-operation and Development (OECD), International Monetary Fund (2024 Article IV Consultation - Press Release, Staff Report; and Statement by the Executive Director for Austria; Austria Selected Issues – May 2024; WEO and IFS, April 2025), World Bank, Bank for International Settlements and 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, this is an unsolicited credit rating. This credit rating was 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/455795>.

This credit rating is 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 <http://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 Foreign Currency - Issuer Rating	Trend Change	AAA	Neg
Austria, Republic of	Long-Term Local Currency - Issuer Rating	Confirmed	AAA	Stable
Austria, Republic of	Long-Term Local Currency - Issuer Rating	Trend Change	AAA	Neg
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

Source

Current Scorecard Input

Fiscal Management and Policy	2019	2020	2021	2022	2023	2024	2025	2026	2027			
Overall Fiscal Balance (% of GDP)	0.5%	-8.2%	-5.7%	-3.4%	-2.6%	-4.7%	-4.1%	-3.6%	-3.0%	IMF WEO	13 year average	-2.9%
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)	71.0%	83.2%	82.4%	78.3%	78.4%	81.2%	82.9%	84.2%	84.1%	IMF WEO	5 year projection	84.9%
Interest Costs (% of GDP)	1.2%	1.1%	0.9%	0.8%	0.8%	1.1%	1.0%	1.1%	1.1%	IMF WEO	5 year average	0.9%
Economic Structure and Performance	2019	2020	2021	2022	2023	2024	2025	2026	2027			
GDP per Capita (USD thousands)	50.0	48.8	53.8	52.6	56.3	56.9	58.2	60.0	62.0	IMF WEO	10 year average	50.5
Output Volatility (%)	2.5%	2.5%	2.6%	2.6%	2.6%	2.6%	2.5%	2.5%	-	IMF WEO	Latest	2.6%
Economic Size (USD billions)	443	434	481	472	513	521	534	552	572	IMF WEO	5 year average	484
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%	2.1%	2.7%	2.1%	2.2%	IMF WEO	13 year average	3.0%
Total Domestic Savings (% of GDP)	202%	226%	228%	203%	199%	205%	-	-	-	ECB/IMF	Latest ¹	205%
Change in Domestic Credit (% of GDP)	-0.4%	10.5%	0.1%	-11.8%	-7.4%	-0.8%	-	-	-	ECB/IMF	7 year average ¹	-1.4%
Net Non-Performing Loans (% of Capital)	6.0%	4.0%	3.1%	2.6%	5.0%	8.2%	-	-	-	IMF IFS	Latest ¹	8.2%
Change in Property Price/GDP Index (%)	-0.2%	14.4%	5.4%	-4.6%	-7.6%	-2.7%	-	-	-	OeNB/IMF	7 year average ¹	1.1%
Balance of Payments	2019	2020	2021	2022	2023	2024	2025	2026	2027			
Current Account Balance (% of GDP)	2.4%	3.4%	1.7%	-0.9%	1.3%	2.4%	2.6%	2.8%	2.5%	IMF WEO	8 year average	2.0%
International Investment Position (% of GDP)	13.3%	11.5%	14.4%	16.1%	16.5%	24.2%	-	-	-	IMF	5 year average ¹	16.5%
Share of Global Foreign Exchange Turnover (Ratio)	205.6%	206.7%	210.0%	204.1%	206.9%	208.9%	-	-	-	BIS/IMF	Latest	208.9%
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.

Austria

Building Block Assessments and Rating Committee Summary



3-Jun-2025

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	16.42	Strong/Good	N/A	Strong/Good
Debt and Liquidity	12.07	Good/Moderate	+ 1 Category	Good
Economic Structure and Performance	14.24	Good	N/A	Good
Monetary Policy and Financial Stability	19.46	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
	81.0	AAA - AA	81.0	AAA - AA

Austria's Long-Term Foreign Currency - Issuer Rating

AAA

Main topics discussed in the Rating Committee include: Austria's economic performance and outlook, fiscal developments and outlook, trajectory of government debt, political environment, financial sector stability risks and external sector performance. 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	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	N
	Will recent regulatory changes have an impact on economic resilience or public finances?	N	N	N
	Carbon and GHG Costs	N	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	N
	Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N	N
	Resource and Energy Management	N	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	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	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	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	N
	Are labour or social conflicts a key source of economic volatility?	N	N	N
	Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N	N
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N	N
	Human Capital and Human Rights	N	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	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	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	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	N
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N	N
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N	N
	Institutional Strength, Governance, and Transparency	N	N	N
Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N	N
	Is the government's authority over certain regions contested by domestic or foreign militias?	N	N	N
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N	N
	Peace and Security	N	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	N
Consolidated ESG Criteria Output:		N	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

6 June 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 is not expected to weigh significantly on public finances in the medium term. Austria aims to cover 100% of annual electricity consumption with renewable energy by 2030, up from the already highest share in the euro area at 88%, and to achieve 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 ramping up through December 2025. The IMF assesses that further efforts (incl. higher green public investments) are needed to meet emissions targets. The country's exposure to extreme natural events is low, 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. Austria's economy is highly productive and competitive. GDP per capita amounted to a very high USD 56,915 in 2024. 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 independent and transparent institutions. The very high institutional quality is reflected in a strong performance in the respective World Bank's Worldwide Governance Indicators (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. The justice system is perceived as independent and the perception of corruption in Austria remains low, with a percentile of 83.5 for control of corruption, despite frequent government changes over the past several years in part linked to corruption allegations.

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