Date of Release: 20 January 2023

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 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. Near term economic slowdown and the temporary fiscal support in response to increasing living costs will not likely weigh materially on the public finance improvement in coming years. Moreover, the economic downturn is expected to be short-lived mitigated by a strong labour market and the country's reinforced capacity to cope with the ongoing shortage of gas. On the back of dynamic fiscal revenues, sound nominal growth, and the continuation of phasing-out COVID-related expenditures, Austria's public debt-to-GDP ratio is estimated to have declined to 78.3% in 2022, after a peak of 82.9% of GDP in 2020. It should further fall to 74.8% in 2024 benefitting from a recovery in economic performance next year. Latest estimates from the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung, WIFO) point to GDP growth of 4.7% last year. Going forward, real GDP growth is forecast to slow down to 0.3% and recover to 1.8%, in 2023 and 2024, respectively.

The ratings are underpinned by Austria's prosperous, diversified, and stable economy, which benefits from a real GDP per capita in purchasing power parity terms that is about 24% higher than the European Union (EU) average, as well as the country's solid and credible institutions. Moreover, Austria's historical track record of conservative fiscal policy pre-pandemic should help it rebalance the public finances over the medium term even in a scenario of slow growth. This, along with moderate private sector debt levels despite the Coronavirus Disease (COVID-19) shock, offsets public finance pressures from the cost associated with an ageing population, rather elevated public debt, and some vulnerabilities in the housing market.

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 weakening in macroeconomic prospects, leading to a persistent and significant increase in the public debt ratio.

RATING RATIONALE

Strong Labour Market and Reinforced Capacity to Withstand the Energy Crisis Will Mitigate the Temporary Economic Slowdown

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. Following the sharp recession in 2020, GDP has recovered rapidly benefitting from the good performance of the important tourism sector, the recovery in trade and the pandemic-related support from the government. After an estimated 4.7% economic growth in 2022, the near-term outlook is clouded due to high energy prices, rising interest rates and lower external demand. GDP growth will likely slow down to 0.3% this year reflecting mainly squeezed real incomes and lower investment. Nevertheless, the downturn is expected to be short-lived and mitigated by a resilient labour market, high government relief and the recovery in trade growth. Economic growth should return to a sound rate of 1.8% in 2024.

Austria's capacity to withstand the ongoing energy crisis has improved. Elevated energy prices have not prompted rationings and, gas consumption savings, thanks also to favourable weather conditions, are enabling the country to maintain sizeable gas storage levels. Moreover, thanks to government purchases of and private investment in gas reserves, gas storage stands at the sound level of around 86%. With reduced Russian gas deliveries, given its geographical position, Austria is expected to receive more gas through Italy and Germany this year. Nevertheless, this remains also dependent on these countries' capacity to diversify their supply particularly from LNG, Norway, Africa and Azerbaijan.

Medium-term economic prospects remain 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 but Medium-Term Fiscal Pressures Are Rising

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 5.9% in 2021 on the back of the economic recovery. It is estimated to have dropped further to 3.5% in 2022, reflecting strong economic performance and the gradual removal of the pandemic-related support measures despite the costly energy related packages and expenditures for gas reserves. The government has recently announced the extension and widening of the energy subsidies for corporates which will likely be partially compensated for by solidarity contributions from electricity and fossil fuel companies. Sound nominal growth should continue to support a positive trend of revenues. This, in tandem with a further drop in COVID-19 support measures will help public finances repair, with the deficit declining to 2.9% of GDP and to 1.9% of GDP, in 2023 and 2024, respectively. Further improvements are likely dependent on new measures offsetting the impact of the abolition of the bracket creep which has been in effect since 2023 and will put increasing pressure on the deficit in coming years.

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 expenditure 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 Affordability Mitigate Against the Significant Rise in Yields

The historical track record of prudent fiscal policy pre-pandemic supports DBRS Morningstar's expectation of a steady decline in the public debt-to-GDP ratio after the stark increase due to the pandemic. With primary deficits on a downward trend, from the peak of 82.9% in 2020 the debt ratio is estimated to have declined to 78.3% in 2022, before easing to about 73.5% in 2025, in spite of the rise in interest costs. Nevertheless, debt affordability remains sound with the cost of total effective interest payments on the federal debt expected to increase from 0.72% in 2022 to 1.31% of GDP in 2026, a level that if reached would remain below 2017.

Yields have been increasing substantially reflecting the tightening in monetary policy, but Austria's public debt benefits from one of the longest maturity profiles in the EU, at almost eleven years. This, along with the fact that more than 90% of total outstanding federal government debt is at fixed rates reduces the risk of a rapid increase in the total cost of debt. Nevertheless, the stock of contingent liabilities, estimated at 16.5% of GDP in 2022, is not negligible but it is not expected to weigh significantly on public finances. All these factors contribute to lower the risk of debt sustainability which lend support to DBRS Morningstar's positive qualitative assessment of the "Debt and Liquidity" building block.

Tourism Recovery Should Mitigate 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. The pandemic-related restrictions have weighed on the tourism sector over the past two years, contributing to a decline in the surplus of the service balance. Nevertheless, as the impact of the pandemic gradually peters out, the tourism sector is recovering quickly. The total number of spent nights by foreign tourists has been on average only around 13% lower than 2019 in the first ten months of 2022, compared with 57% lower in the same period of 2021, and since May 2022 the flow of total nights is in line with pre-pandemic levels. DBRS Morningstar projects tourism flows to remain sustained going forward. This will likely mitigate the negative impact of the high energy bill along with weaker external demand mainly from Germany, Austria's main trading partner.

The high energy bills weigh on the current account position which is expected to remain broadly in balance in the 2022-24 period, after the small surplus of 0.4% of GDP in 2021, according to the European Commission. Nevertheless, DBRS Morningstar views upside risks to Austrian export performance should tourism continue to recover and energy prices fall. Austria's ratings benefit from a healthy positive net international investment position which at 20.2% of GDP in Q3 2022 is at a record level. Since Q1 2013 it 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.

New Macroprudential Policies in the Context of Low Household Debt Mitigate Risks to Financial Stability

DBRS Morningstar's assessment of monetary policy and financial stability is strong. The Austrian banking system is in a sound position and benefits from a moderate private sector indebtedness which partly mitigates rising risks to financial stability stemming from the vulnerabilities in the housing market, high inflation, and the end of the supportive measures implemented during the pandemic. The direct exposure to Russia is elevated by international comparison but the impact on the profitability of Austrian banks is expected to be manageable. Nevertheless, there is a high uncertainty over second-round implications as well as indirect exposure even though the Austrian banking sector is solid and contingent liability risks for the sovereign appear contained.

The mortgage lending despite the slowdown remains elevated in a context of rising rates and overvalued house prices which contribute the housing market vulnerability. The Oesterreichische Nationalbank (OeNB) estimates that, with residential real estate prices doubling over the last ten years, house prices are overvalued by 39% in Austria and 46% in Vienna in Q2 2022. Moreover, as of November 2022 about 47% of new loans granted are at variable rates, making indebted borrowers more vulnerable. Nevertheless, households tend to display high incomes and wealth by international standards. Their balance sheets are strong, reflecting both a moderate debt in aggregate as a share of gross disposable income, at around 86% over the past five years. Moreover, a relatively high net financial wealth estimated at approximately 128% of GDP as of Q3 2022 provides a buffer for households to absorb potential shocks. Financial stability risk is also mitigated by new macroprudential binding measures adopted since August 2022.

Banks are well equipped to withstand both the systemic risk stemming from the housing market and other risks. An elevated level of capitalisation, a sound liquidity position, and high coverage ratios should also enable the banking system to cope with the consequences of the pandemic, high inflation and the impact stemming from the invasion in Ukraine. Austrian banks' on-balance exposure to Russia, Ukraine, and Belarus, which makes up around 10% of total assets of Austrian foreign subsidiaries in Central, Eastern, and South Eastern Europe (CESEE), is elevated by international comparison. Nevertheless, its direct impact on the banking system has been contained so far. The sound level of capitalisation with a CET1 ratio of 15.8% as of Q2 2022 mitigates the risk to financial stability.

The Institutional Framework Remains Sound Despite the Frequent Changes in Leaderships 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, or 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 https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings (17 May 2022).

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 https://www.dbrsmorningstar.com/research/401817/global-methodology-for-rating-sovereign-governments (29 August 2022). 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/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings (17 May 2022) in its consideration of ESG factors.

The sources of information used for this rating include Statistik Austria, OeNB (Financial Stability report – November 2022), Österreichische Bundesfinanzierungsagentur (OeBFA, Investor Presentation – January 2023), Austrian Ministry of Finance (BMF, 2023 Draft Budgetary Plan – October 2022), EC (Autumn forecast 2022 – November 2022, the Digital Economy and Society Index – September 2022), Social Progress Imperative, Transparency International, European Central Bank, WIFO, Eurostat, International Monetary Fund (IMF WEO October 2022, 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 this rating 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: YES
With Access to Management: NO

DBRS Morningstar does not audit the information it receives in connection with the 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 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://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. DBRS Morningstar understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: https://www.fca.org.uk/firms/credit-rating-agencies.

The sensitivity analysis of the relevant key rating assumptions can be found at: https://www.dbrsmorningstar.com/research/408680.

This rating is 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: 21 June 2011

Last Rating Date: 29 July 2022

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	Rating Action	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 (91) 903 6510
carlo.capuano@dbrsmorningstar.com

Nichola James
Managing Director, Co-Head of Sovereign Ratings
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%	-2.7%	-1.6%	-1.2%	-1.1%	IMF WEO	13 year average	-2.1%
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%	74.0%	70.6%	83.3%	82.9%	78.5%	77.3%	75.6%	74.7%	IMF WEO	5 year projection	71.6%
Interest Costs (% of GDP)	1.5%	1.2%	1.0%	0.9%	0.7%	0.6%	0.8%	0.8%	0.9%	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	51.3	50.2	48.6	53.3	52.1	52.3	54.4	56.6	IMF WEO	10 year average	49.5
Output Volatility (%)	2.4%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	-	IMF WEO	Latest	2.5%
Economic Size (USD billions)	417	455	445	433	477	468	473	494	517	IMF WEO	5 year average	456
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%	7.0%	3.2%	2.5%	2.2%	IMF WEO	13 year average	2.4%
Total Domestic Savings (% of GDP)	203%	198%	202%	227%	226%	209%	-	-	-	ECB/IMF	Latest[1]	209%
Change in Domestic Credit (% of GDP)	-0.5%	0.2%	-0.4%	11.9%	-0.2%	-1.6%	-	-	-	BIS/IMF	7 year average[1]	1.4%
Net Non-Performing Loans (% of Capital)	10.9%	8.0%	5.7%	4.6%	3.9%	4.0%	-	-	-	OeNB	Latest[1]	4.0%
Change in Property Price/GDP Index (%)	0.5%	2.4%	0.8%	12.2%	5.2%	1.6%	-	-	-	OeNB/IMF	7 year average[1]	3.7%
Balance of Payments	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**			
Current Account Balance (% of GDP)	1.4%	0.9%	2.1%	1.9%	-0.5%	-2.6%	-2.1%	-0.2%	0.3%	IMF WEO	8 year average	0.0%
International Investment Position (% of GDP)	4.3%	6.0%	14.4%	11.5%	14.8%	17.8%	-	-	-	IMF	5 year average[1]	12.9%
Share of Global Foreign Exchange Turnover (Ratio)	200.7%	199.3%	206.9%	208.5%	212.6%	209.2%	-	-	-	BIS/IMF	Latest	209.2%
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: 18-Jan-2023

Austria

Building Block Assessments and Rating Committee Summary

18-Jan-2023

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	17.32	Strong	N/A	Strong
Debt and Liquidity	13.50	Good	+ 1 Category	Strong/Good
Economic Structure and Performance	14.08	Good	N/A	Good
Monetary Policy and Financial Stability	17.44	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
	81.1	AAA - AA	82.8	AAA - AA (high)

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

Main topics discussed in the Rating Committee include: energy shock, fiscal and public debt outlook, housing market, economic outlook and tourism recovery.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

Republic of Austria
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	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 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

20 January 2023

Environmental

This factor does not affect the ratings. Austria's exposures 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 expected to continue to fall. Although DBRS Morningstar's projects the energy shock to boost investment in renewables, 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 bonds.

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 perception of corruption index of Transparency International, the country ranks favourably at the 13th place out of 180 countries in 2021. 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.