

Republic of Austria

Rating Report



Credit strengths

- Wealthy, resilient, diversified economy
- Strong external position with low private sector indebtedness
- Sound banking sector
- Favourable public debt profile and market access

Credit challenges

- High public debt stock relative to peers
- Adverse demographic trends weighing on growth prospects and public finances
- Still-high dependence on Russian gas imports

Rating rationale:

Wealthy, resilient, diversified economy: The Republic of Austria's (Austria) rating benefits from high wealth levels and a competitive, highly-diversified economy. After achieving a robust post-pandemic recovery, the Austrian economy is expected to shrink slightly in 2023, in a context of high inflation, tighter funding conditions and subdued external demand.

Strong external position: Austria has a solid track record of current account surpluses. It also has a robust net international investment position with low private sector debt and a favourable external liability structure, providing the country with a resilient external position.

Sound banking sector: The resilience of Austria's banking sector has increased in recent years, enabling it to weather the Covid-19 and energy shocks well. Capital and liquidity buffers are robust, asset quality continues its improving trend, and profitability has increased markedly amid rising interest rates. These strengths enabled the sector to absorb the shock from the war in Ukraine, although a large presence in CESEE countries, including Russia, constitutes a risk exposure.

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

Rating challenges include: i) a high public debt stock relative to other highly rated peers; ii) sensitivity to geopolitical event risk given the high reliance on Russian energy imports, although near-term energy supply risks are mitigated by Austria's sizeable natural gas stocks; and iii) long-term spending pressures arising from high pension and healthcare costs and an ageing society. The latter also weighs on growth prospects in the absence of structural reforms.

Austria's sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Qualitative**	Final rating
	Weight	Indicative rating	Notches	Notches	
Domestic Economic Risk	35%	aa	EUR [+1]	+1/3	AAA
Public Finance Risk	20%	a+		+1/3	
External Economic Risk	10%	bbb		+2/3	
Financial Stability Risk	10%	aa+		+1/3	
ESG Risk	Environmental Factors	5%		aa-	
	Social Factors	7.5%	bb	0	
	Governance Factors	12.5%	aaa	0	
Indicative outcome	aa		+2		
Additional considerations			0		

Note: *The reserve-currency adjustment applies to currencies in the IMF's SDR basket. **The qualitative-scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Outlook and rating triggers

The Negative Outlook reflects our view that risks to the ratings are tilted to the downside.

Positive rating-change drivers

- Growth prospects strengthen substantially
- Improvement in fiscal outlook

Negative rating-change drivers

- Growth prospects remain weak
- Fiscal outlook remains pressured, with the debt-to-GDP ratio deviating from a firm downward path
- Risks re-emerge in the banking sector

Ratings and Outlook

Foreign currency

Long-term issuer rating AAA/Negative
Senior unsecured debt AAA/Negative
Short-term issuer rating S-1+/Stable

Local currency

Long-term issuer rating AAA/Negative
Senior unsecured debt AAA/Negative
Short-term issuer rating S-1+/Stable

Lead Analyst

Julian Zimmermann
+49 69 6677389-89
j.zimmermann@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
+49 69 6677389-85
a.lennkh@scoperatings.com

Scope Ratings GmbH

Neue Mainzer Straße 66-68
60311 Frankfurt am Main

Phone +49 69 6677389-0

Headquarters

Lennéstraße 5
10785 Berlin

Phone +49 30 27891-0

Fax +49 30 27891-100

info@scoperatings.com

www.scoperatings.com



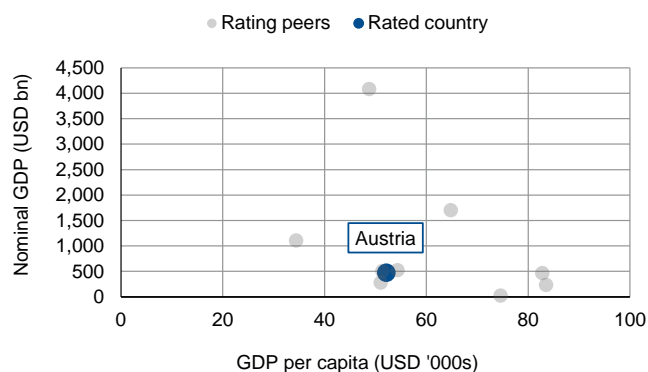
Bloomberg: RESP SCOP

Domestic Economic Risk

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

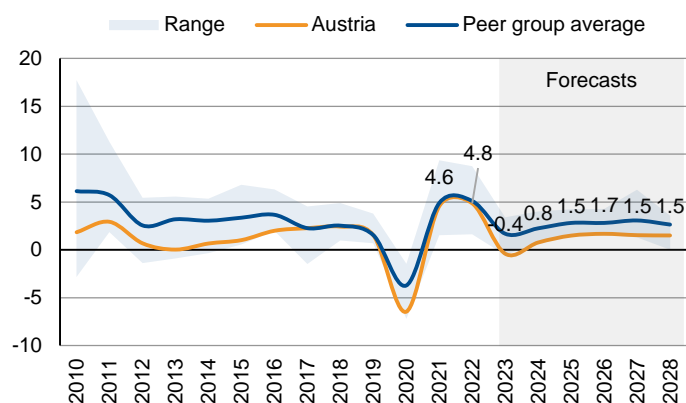
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential of the economy	Strong	+1/3	Robust growth potential compared to peers
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank
	Macro-economic stability and sustainability	Neutral	0	Competitive and well-diversified economy; limited structural labour market rigidities

Nominal GDP and GDP per capita



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

Real GDP growth, %



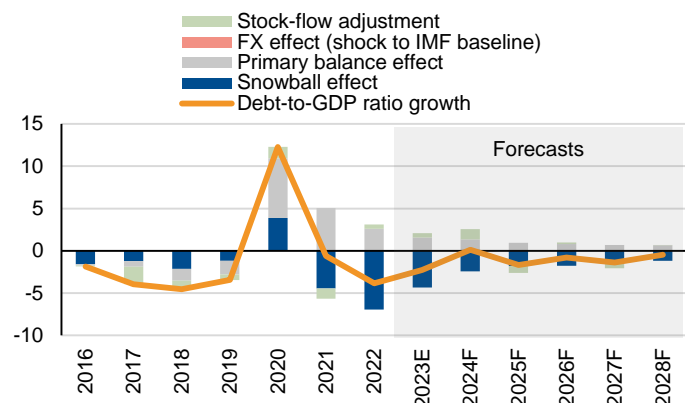
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

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

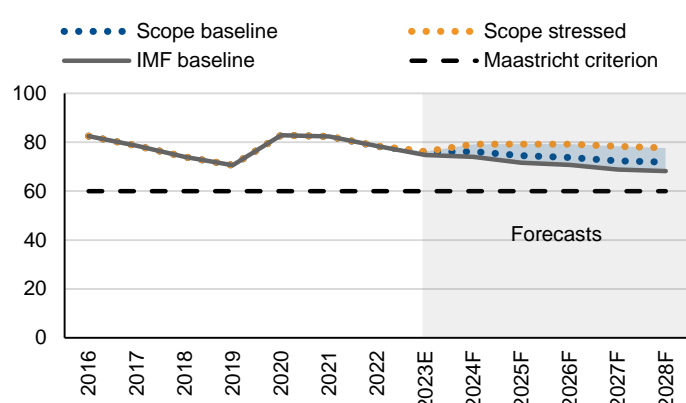
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Sizeable budgetary response to Covid-19 and energy crises; pre-crisis budget surpluses; only very gradual medium-term fiscal consolidation
	Debt sustainability	Neutral	0	Elevated public debt level relative to highly-rated peers, debt trajectory projected to decline, although only very gradually
	Debt profile and market access	Strong	+1/3	Excellent government market access, low government financing costs, long average maturity of central government debt

Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



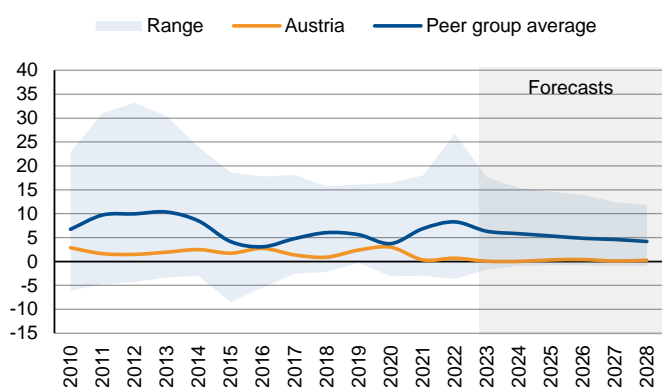
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

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

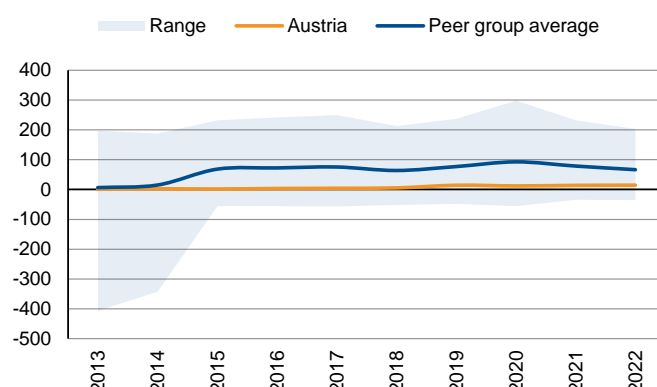
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb	Current account resilience	Strong	+1/3	Diversified, competitive export sector; recurrent current account surpluses
	External debt structure	Strong	+1/3	Low gross and short-term external debt
	Resilience to short-term external shocks	Neutral	0	Highly open economy; benefits from euro area membership

Current-account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



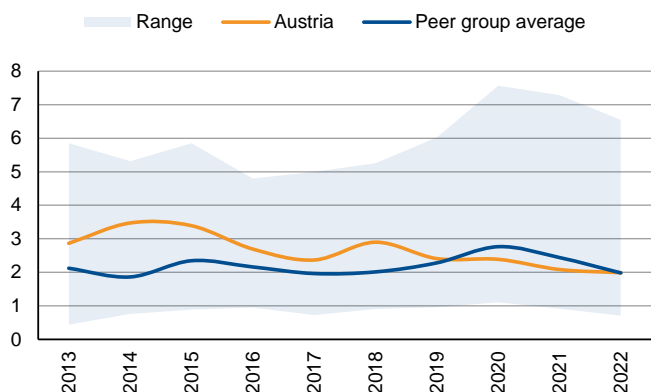
Source: IMF, Scope Ratings

Financial Stability Risk

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

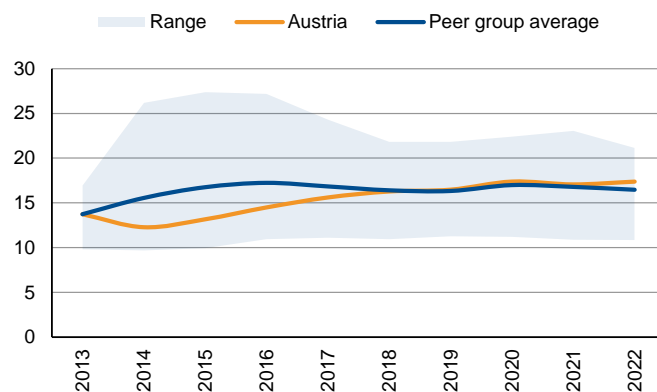
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Banking sector performance	Neutral	0	Adequate banking-system capitalisation, comfortable liquidity, low NPLs, significantly lowered exposure to foreign currency-denominated loans in CESEE countries
	Banking sector oversight	Neutral	0	Effective oversight under the national competent authority and the ECB as part of the banking union
	Financial imbalances	Strong	+1/3	Relatively low household and non-financial corporate sector indebtedness; decelerating residential real estate dynamics

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



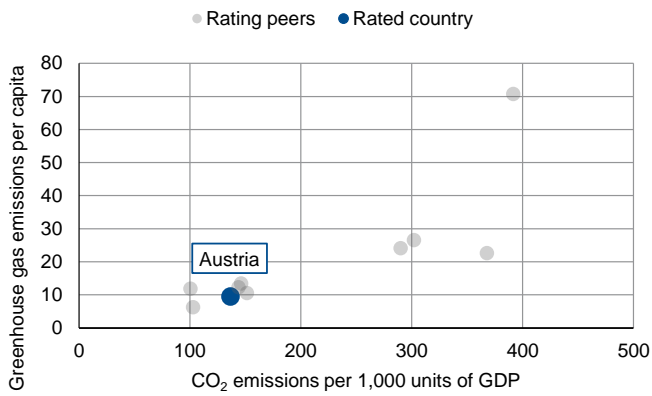
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) Risk

Overview of Scope's qualitative assessments for Austria's ESG Risk

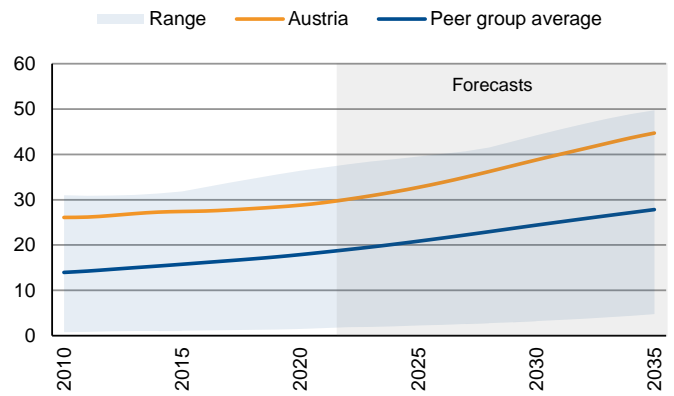
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa-	Environmental factors	Neutral	0	A high share of renewables and ambitious decarbonisation targets by 2030; however, a significant gap remains in a 'no policy change' scenario
	Social factors	Neutral	0	Strong social safety net and positive social outcomes, in line with peers
	Governance factors	Neutral	0	High-quality institutions and stable political environment, in line with peers

CO₂ emissions per GDP, mtCO₂e



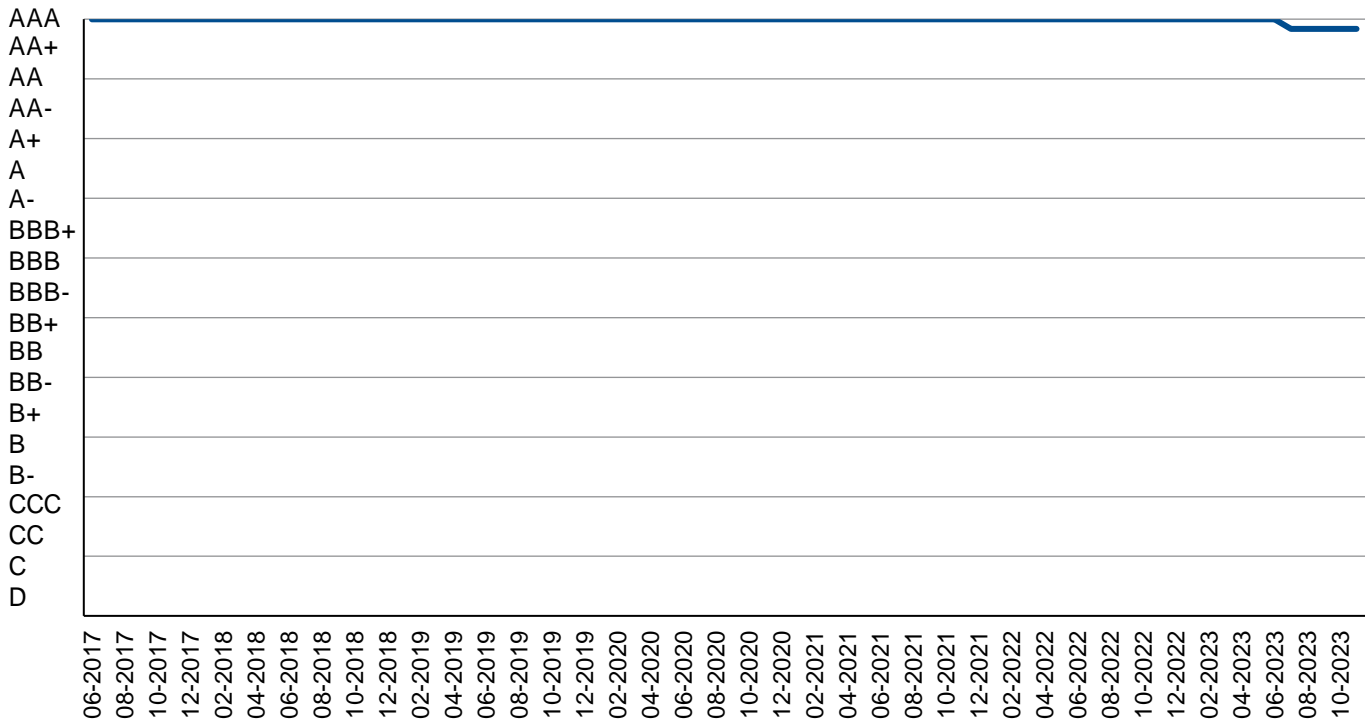
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history (foreign-currency long-term issuer rating)



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
Finland
Germany

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

Appendix III. Statistical table for selected CVS indicators

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

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	51.2	50.2	48.9	53.5	52.2
	Nominal GDP, USD bn	IMF	455.2	444.7	434.9	480.7	471.0
	Real growth, %	IMF	2.4	1.5	-6.5	4.6	4.8
	CPI inflation, %	IMF	2.1	1.5	1.4	2.8	8.6
	Unemployment rate, %	WB	4.9	4.5	5.4	6.2	4.7
Public Finance	Public debt, % of GDP	IMF	74.1	70.6	82.9	82.3	78.5
	Net interest payment, % of revenue	IMF	2.5	2.1	1.9	1.5	1.2
	Primary balance, % of GDP	IMF	1.4	1.6	-7.0	-5.1	-2.6
External Economic	Current-account balance, % of GDP	IMF	0.9	2.4	3.0	0.4	0.7
	Total reserves, months of imports	WB	1.0	1.1	1.5	1.4	-
	NIIP, % of GDP	IMF	5.8	14.5	12.3	14.1	14.8
Financial Stability	NPL ratio, % of total loans	IMF	2.9	2.4	2.4	2.1	2.0
	Tier 1 ratio, % of risk-weighted assets	IMF	15.6	16.1	15.9	17.2	16.2
	Credit to the private sector, % of GDP	WB	84.4	86.0	92.9	93.1	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	139.3	141.1	136.9	136.6	-
	Income share of bottom 50%, %	WID	22.3	22.7	22.1	22.2	-
	Labour-force participation rate, %	WB	77.2	77.5	77.0	77.8	-
	Old-age dependency ratio, %	UN	28.1	28.4	28.8	29.4	30.1
	Composite governance indicators*	WB	1.4	1.4	1.4	1.4	1.3

* Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 7 December 2023

16



Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 09 38 35

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 6289 3512

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 8295 8254

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Disclaimer

© 2023 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.