

Republic of Austria

Rating Report

Rating rationale

Wealthy and 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 slowed materially last year, experiencing a 0.8% contraction in real output in a context of weak real income dynamics, tighter funding conditions and subdued external demand. Growth is expected to recover only gradually to 0.5% in 2024 and 1.6% in 2025.

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 remains solid, and profitability has increased markedly amid rising interest rates.

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

Rating challenges: i) a high public debt stock relative to other highly-rated peers; ii) sensitivity to geopolitical event risk given the still high reliance on Russian energy imports; and iii) long-term spending pressures arising from high and rising pension and healthcare costs and an ageing society, which also weighs on growth prospects in the absence of structural reforms.

Figure 1: Austria's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
	Weight	Indicative rating				
Domestic economic risk	35%	aa	EUR	Austria	0	AA+
Public finance risk	20%	a+			1/3	
External economic risk	10%	a-			1/3	
Financial stability risk	10%	aaa			1/3	
ESG risk	Environmental factors	5%	[+1]	[-0]	0	
	Social factors	7.5%			0	
	Governance factors	12.5%	aaa			
Sovereign Quantitative Model			aa		+1	
Additional considerations					0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

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

Foreign currency

Long-term issuer rating/Outlook

AA+/Stable

Senior unsecured debt

AA+/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AA+/Stable

Senior unsecured debt

AA+/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

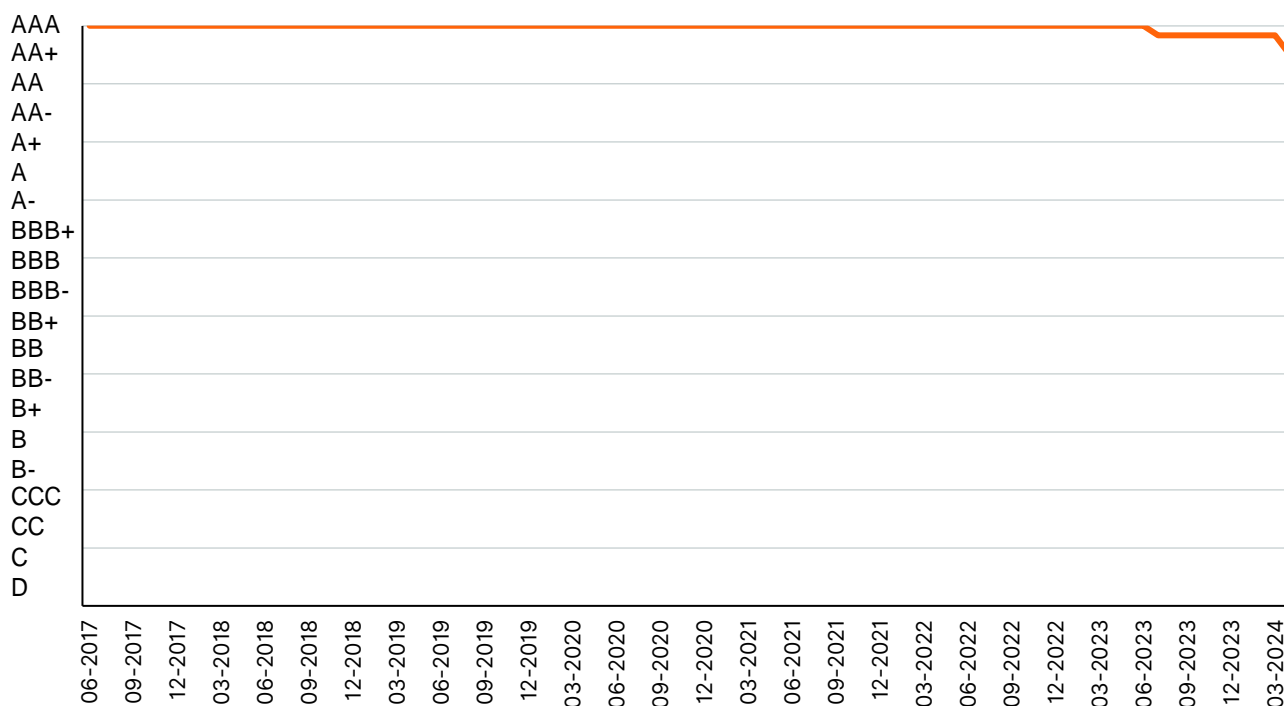
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Wealthy and diversified economy Strong external position with low private sector indebtedness Sound banking sector Favourable public debt profile and excellent market access 	<ul style="list-style-type: none"> High public debt stock relative to highly-rated peers Adverse demographic trends weighing on growth prospects and public finances Still-high dependence on Russian gas imports

Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> Stronger fiscal outlook, sustained decline in debt-to-GDP ratio Stronger medium-term growth prospects 	<ul style="list-style-type: none"> Weaker fiscal outlook, upward trajectory of debt-to-GDP ratio Weaker medium-term growth prospects Financial stability risks emerged, with significant negative implications for the economic and/or public finance outlook

Figure 2: Rating history¹



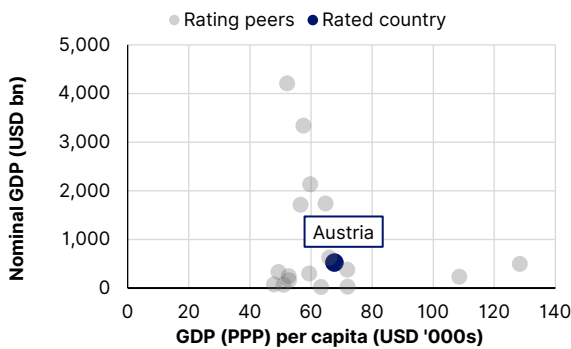
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

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

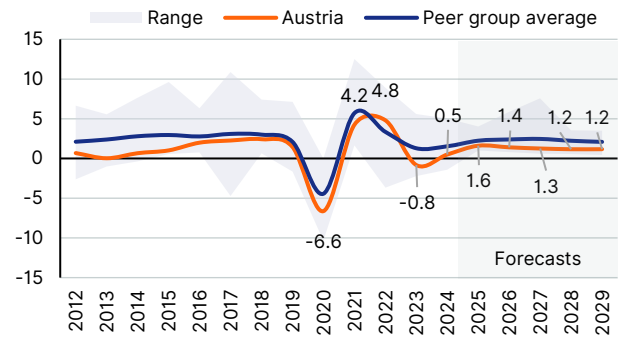
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential and outlook	Neutral	0	Medium-term growth potential broadly in line with highly-rated peers at around 1%; labour supply bottlenecks are a constraint
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank over the cycle
	Macroeconomic stability and sustainability	Neutral	0	Highly competitive and well-diversified economy; resilient labour market; increasing risk of higher unit labour costs following substantial wage increases

Figure 3: Nominal GDP and GDP per capita



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

Figure 4: Real GDP growth, %



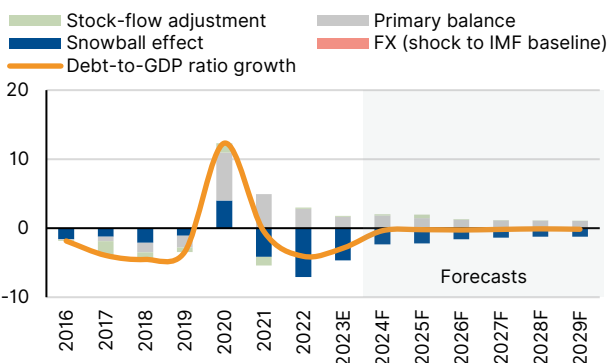
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

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

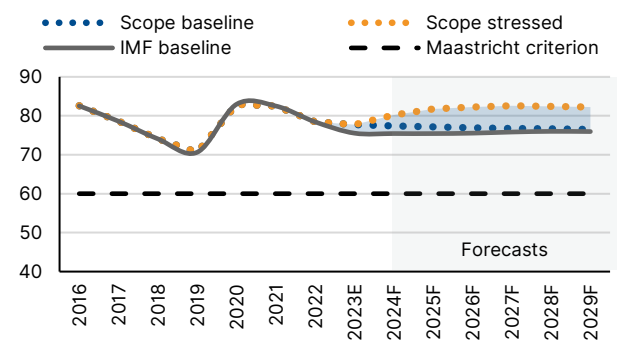
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Sizeable budgetary response to Covid-19 and energy crises; pre-crisis budget surpluses; only very gradual medium-term fiscal consolidation compared to highly-rated peers
	Long-term debt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

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



Source: IMF WEO, Scope Ratings forecasts

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



Source: IMF WEO, Scope Ratings forecasts

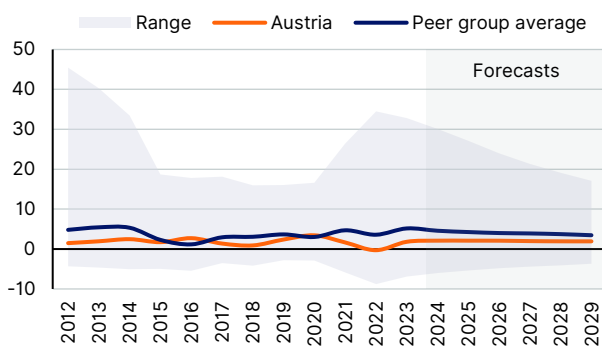
*Sovereign Quantitative Model.

External economic risk

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

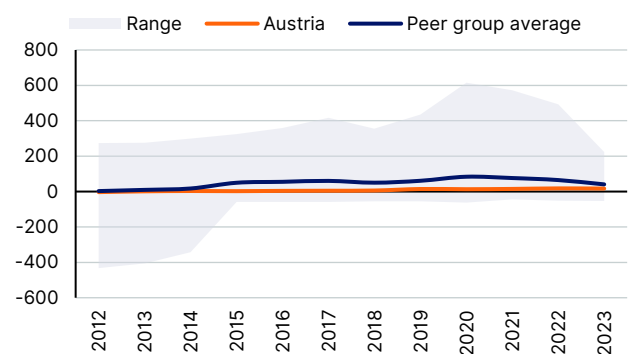
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a-	Current account resilience	Neutral	0	Diversified, competitive export sector; recurrent current account surpluses; net creditor position; some volatility due to energy (especially gas) imports
	External debt structure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

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

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



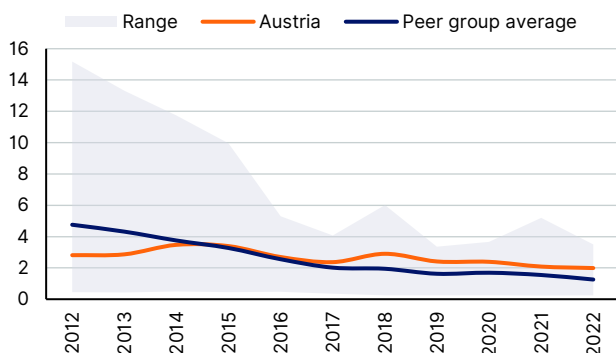
Source: IMF, Scope Ratings

Financial stability risk

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

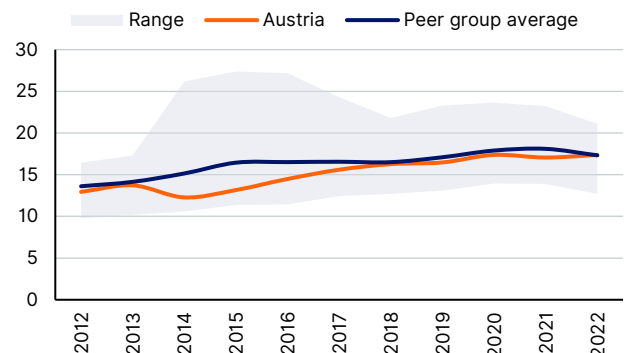
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Adequate banking-system capitalisation, strong earnings boosted by net interest income, comfortable liquidity, low albeit rising NPLs, significantly lowered exposure to foreign currency-denominated loans in CESEE countries
	Financial sector oversight and governance	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

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



Source: World Bank (WB), Scope Ratings

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



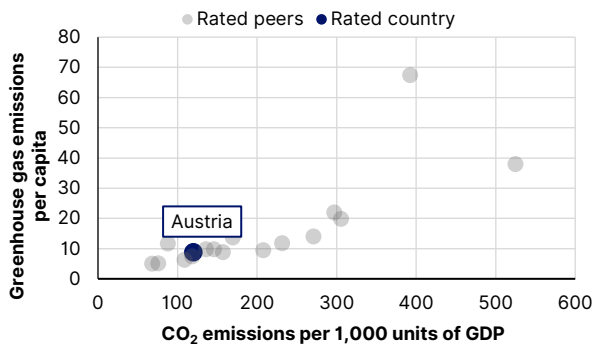
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

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

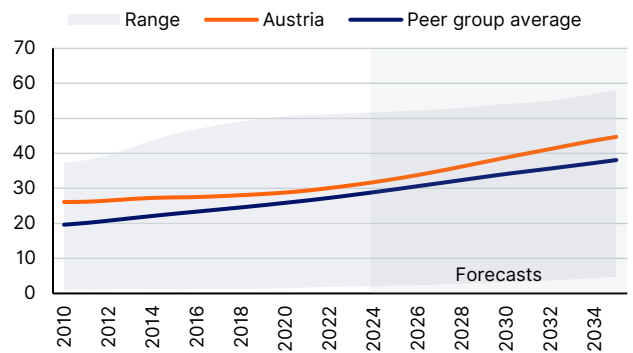
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Environmental factors	Neutral	0	High share of renewables and ambitious decarbonisation targets by 2030; gaps remain to climate targets in a 'no policy change' scenario
	Social factors	Neutral	0	Strong social safety net and favourable social outcomes, in line with peers
	Governance factors	Neutral	0	High-quality institutions and stable political environment, in line with peers; parliamentary elections in autumn 2024

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

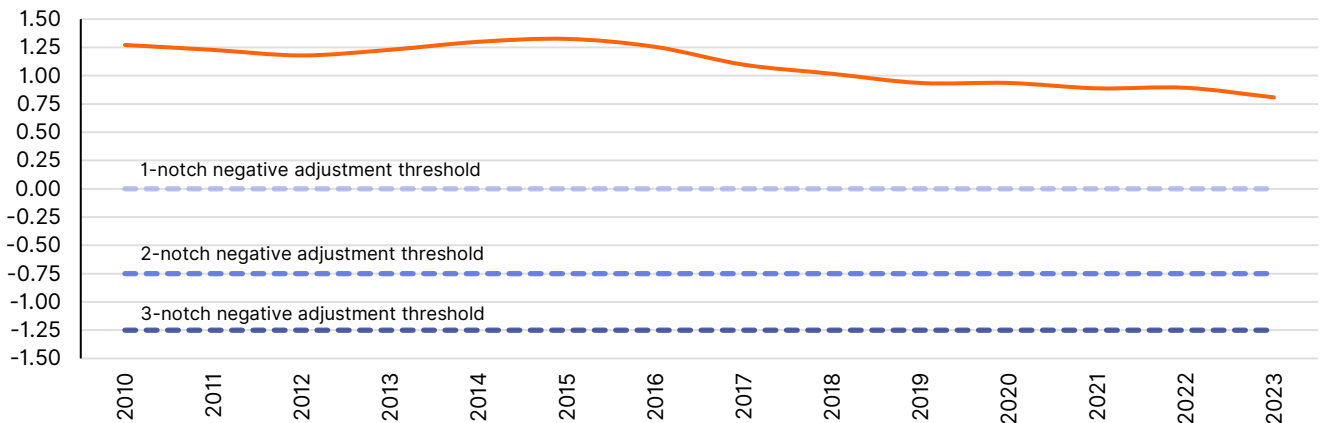
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

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

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, Austria, 3-year moving average



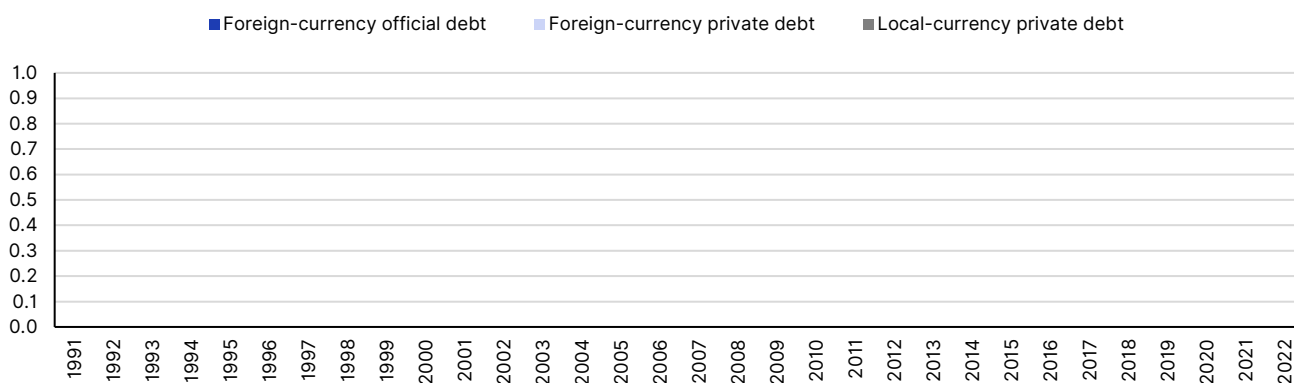
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



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

Appendix 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 sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Finland

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

Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 25 April 2024	18

Appendix IV. Statistical table for selected SQM indicators

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

Pillar	Core variable	Source	2018	2019	2020	2021	2022	2023E
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	56.5	58.5	55.1	59.8	66.8	67.7
	Nominal GDP, USD bn	IMF	455	445	435	480	471	520
	Real growth, %	IMF	2.4	1.5	-6.6	4.2	4.8	-0.7
	CPI inflation, %	IMF	2.1	1.5	1.4	2.8	8.6	7.7
	Unemployment rate, %	WB	4.9	4.6	5.2	6.5	5.0	5.3
Public Finance	Public debt, % of GDP	IMF	74.1	70.6	83.0	82.5	78.4	75.5
	Net interest payments, % of government revenue	IMF	2.5	2.3	2.1	1.7	1.5	1.6
	Primary balance, % of GDP	IMF	1.4	1.7	-6.9	-4.9	-2.8	-1.6
External Economic	Current-account balance, % of GDP	IMF	0.9	2.4	3.4	1.6	-0.3	1.8
	Total reserves, months of imports	WB	1.0	1.1	1.6	1.3	1.2	-
	NIIP, % of GDP	IMF	5.8	14.5	13.2	14.9	17.8	-
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	17.4
	Credit to the private sector, % of GDP	WB	84.4	86.0	92.9	93.3	89.6	-
ESG	CO₂ per EUR 1,000 of GDP, mtCO₂e	EC	137.2	138.3	135.1	135.2	120.2	-
	Income share of bottom 50%, %	WID	22.4	22.7	22.0	22.3	22.3	-
	Labour-force participation rate, %	WB	77.1	77.4	77.0	77.8	78.5	-
	Old-age dependency ratio, %	UN	28.1	28.4	28.8	29.4	30.1	30.9
	Composite governance indicators*	WB	1.6	1.5	1.5	1.5	1.4	-
	Political stability, index	WB	0.9	0.9	0.9	0.9	0.6	-

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

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