Austria
CRT-1
August 22, 2019

Region: Europe

Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers

- Austria is a CRT-1 country, with a low level of economic risk and very low levels of political and financial system risk.
- The GDP growth rate in Austria is expected to decline in 2019 to an estimated 2.0% from an actual 2.7% in 2018. Inflation is also projected to fall from 2.1% in 2018 to 1.8% in 2019. In spite of this decline, the country still has above-average inflation growth compared to the rest of Europe, attributable to growth in real wages.
- AM Best scores the majority of countries pictured in the map as CRT-1 or CRT-2. Notable exceptions are Eastern European countries such as Belarus and Ukraine, which have higher risk levels.

Regional Summary: Western Europe

- Composed of 28 countries, the EU accounts for slightly over a fifth of the world’s GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.
- Uncertainty about Britain’s exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a “no deal” Brexit remaining a possibility.
- Growth in Western Europe has stagnated; impediments include weakness in the region’s manufacturing sectors, heightened trade tensions, and a general worldwide economic slowdown.
- The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.
Economic Risk: Low

- The main headwinds facing growth are Brexit-related complications and global trade uncertainties. Austria benefits from a highly skilled and highly educated workforce. Manufacturing is a mainstay in the economy, accounting for about a fifth of GDP, but is threatened by the tense global trade climate.
- Austria is a net exporter and is expected to maintain a current account surplus, as the country’s exports are diversified. The country’s largest trade partner for both imports and exports is Germany.
- Fiscal policy remains prudent. The budget ran a surplus at the end of 2018, owing to higher-than-forecast government revenue and lower-than-forecast expenditures.

Political Risk: Very Low

- Austria’s coalition government collapsed following the revelation that Vice-Chancellor Heinz-Christian Strache promised public contracts in exchange for campaign financing to a supposed Russian oligarch. The government had been formed by a coalition between the Austrian People’s Party (ÖVP) and the Austrian Freedom Party (FPÖ), and was led by Chancellor Sebastian Kurz. Priorities for Kurz’s administration included border protection, illegal immigration prevention, and deregulating businesses.
- Following the scandal, Chancellor Kurz was ousted under a no confidence vote. Austria is currently under a caretaker government until the elections in September 2019; Mr. Kurz is viewed as a leading candidate.
- Despite the developments in the government, Austria’s judicial system remains strong and impartial.
- Before the end of Kurz’s administration and despite concerns raised by unions, legislation was passed to extend the maximum workday to 12 hours. Previously, employees could only work 12 hours if union consent was given and under special circumstances.

Financial System Risk: Very Low

- Austria’s Financial Market Authority (FMA) regulates the insurance market.
- Business in Austria is supported by a strong legal system but can be overly bureaucratic. In the World Bank’s Ease of Doing Business Survey, Austria ranked 118th out of 190 countries in terms of the ease in which a business can be started. However, Austria did rank #1 in the world for trading across borders.
- The insurance industry in Austria remains profitable and stable.
- Capital in Austria’s banking system has strengthened in recent years, due primarily to the strong economy. According to the IMF, banks have been de-risking their balance sheets by deleveraging their Central and Eastern Europe commitments.