

BEST'S COUNTRY RISK REPORT

Austria CRT-1

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Austria is a CRT-1 country, with a low level of economic risk and very low levels of political and financial system risk.
- GDP expanded at 2.9% in 2017 and is projected to grow 2.6% in 2018. Economic growth has been driven by expansionary fiscal and monetary policies. Medium-term economic growth is expected to range between 1.5% and 2.0%.
- Inflation has risen since 2016, owing to rising commodity prices and a softer euro. Inflation was 2.2% in 2017 and is expected to remain around 2.0%.
- A.M. Best considers the majority of countries pictured in the map as CRT-1 or CRT-2. Notable exceptions are many Eastern European countries such as Belarus and Ukraine, which experience higher risk levels.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Western Europe

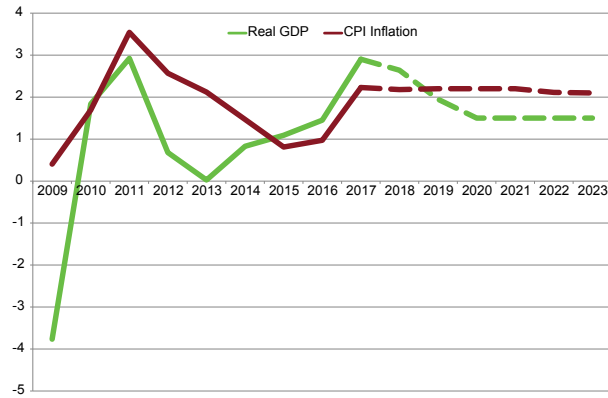
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

Vital Statistics 2017		
Nominal GDP	USD bn	416.85
Population	mil	8.8
GDP Per Capita	USD	47,290
Real GDP Growth	%	2.9
Inflation Rate	%	2.2
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	66.1
Dependency Ratio	%	49.2
Life Expectancy	Years	81.6
Median Age	Years	55.0
Insurance Statistics		
Insurance Regulator	Financial Market Authority	
Premiums Written (Life)	USD mil	6,549
Premiums Written (Non-Life)	USD mil	12,726
Premiums Growth (2016 - 2017)	%	-1.7
Regional Comparison		
		Country Risk Tier
Austria		CRT-1
Germany		CRT-1
Italy		CRT-2
Poland		CRT-2
Slovenia		CRT-2
Switzerland		CRT-1

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Growth (%)



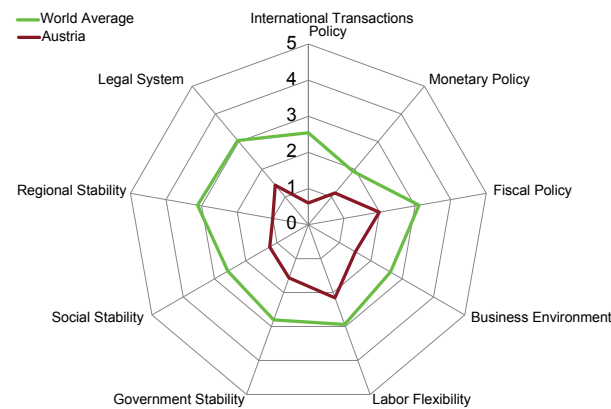
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Low

- Austria's service- and export-oriented economy is well diversified and relies heavily on trade. It is a net exporter and is vulnerable to weak demand in the export market. Germany is Austria's most important trading partner, accounting for 30% of Austria's exports and over 40% of its imports.
- Job creation has accelerated, but the pace has been sufficient only to meet the rise in labor force participation due to the influx of migrants and refugees, not to lower the unemployment rate. However, unemployment rates should decline in the medium term owing to a growing economy.
- Austria has more exposure to Russian commercial interests than most of the EU, which leaves it vulnerable to international sanctions targeting Russia and ongoing unrest in the Ukraine.
- Austria scores well in the World Bank's Ease of Doing Business survey, which ranks the country 22 out of 190 countries. The country is particularly strong in trading across borders and enforcing contracts.

Political Risk Summary

Score 1 (best) to 5 (worst)

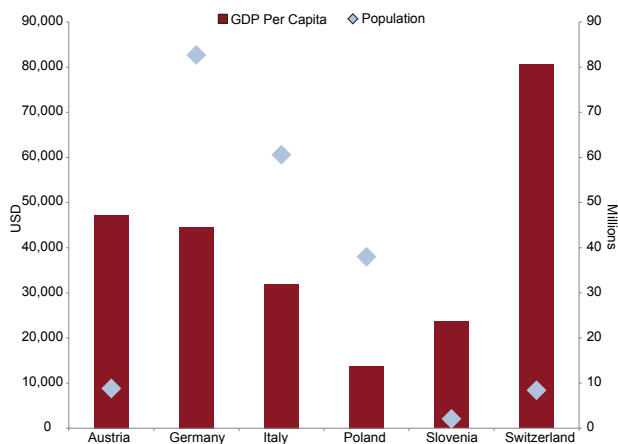


Source: A.M. Best

Political Risk: Very Low

- Early elections were held in October 2017. Austria is currently governed by a coalition of Chancellor Kurz's Austrian People's Party (OVP) and the Freedom Party (FPÖ).
- The coalition government policies focus on tightening immigration rules, lowering corporate taxes, increasing labor market flexibility, and restructuring the health insurance system.
- As a member of the EU and the eurozone, Austria has a stable economic framework and is well integrated in the global economy. However, because of its dependence on trade, political instability in other countries could subdue growth.
- Refugees from Syria, Afghanistan, and Iraq have immigrated to Austria. Growing social tensions over immigration have resulted in the government limiting the number of asylum seekers and border crossings.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Very Low

- Austria's Financial Market Authority (FMA) regulates the insurance market and has published annual reports on the state of the industry since 2015.
- The ECB provides Austria's economy with stable and credible monetary policy. Monetary policy, thus far, has been accommodative to growth.
- Credit growth for both non-financial corporations and households has increased from post-crisis lows. Credit is growing broadly in line with nominal GDP.
- Austrian banks are exposed to the relatively volatile economies of Eastern and Central Europe, in which many consumers have loans denominated in foreign currency.