



## **Rating Action: Moody's Ratings takes actions on six Austrian sub-sovereign entities following sovereign action**

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26 Aug 2025

Frankfurt am Main, August 26, 2025 -- Moody's Ratings (Moody's) has today changed the outlooks to negative from stable on three regional governments - City of Vienna, State of Lower Austria and State of Carinthia – as well as on three government-related issuers (GRIs) - Autobahnen-Und Schnellstrassen Finanzierungs (ASFINAG), Kaerntner Ausgleichszahlungs-Fonds (KAF), and Bundesimmobiliengesellschaft m.b.H. (BIG). The ratings of all six entities were affirmed. At the same time, the City of Vienna's Baseline Credit Assessments (BCA) was downgraded to aa3 from aa2, while the State of Lower Austria's aa3 BCA and State of Carinthia's a1 BCA were affirmed.

This rating action follows our decision to change the outlook of the Government of Austria to negative from stable and affirm the Aa1 rating on 22 August 2025. For additional information, please refer to the sovereign press release: <https://ratings.moody's.com/ratings-news/449200>.

Please click on this link [https://www.moody's.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL511788](https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL511788) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

### **RATINGS RATIONALE**

#### **RATINGS RATIONALE FOR THE REGIONAL GOVERNMENTS**

##### **RATIONALE FOR CHANGING THE OUTLOOKS TO NEGATIVE FROM STABLE ON THREE AUSTRIAN REGIONAL GOVERNMENTS**

The revision of the outlooks to negative from stable on the City of Vienna, the State of Lower Austria, and the State of Carinthia reflects the institutional, operational, and financial linkages between the Government of Austria and its regional governments. As with the federal government, the regional governments are also confronted with a challenging fiscal situation.

Our baseline economic growth outlook for Austria in 2025 and 2026 remains weak at -0.1% and 1% respectively following two consecutive years of economic contraction. Additionally, there are downside risks to this growth outlook should additional US trade policy and geopolitical risks materialize.

As shared taxes are the main source of revenue for the regions, weak economic growth will translate into weak revenue growth for the regions. Combined with expenditure pressure, this will expose the regions to increased risks around consolidation efforts.

##### **RATIONALE FOR AFFIRMING THE RATINGS FOR THREE AUSTRIAN REGIONAL GOVERNMENTS; VIENNA'S BCA DOWNGRADED; LOWER AUSTRIA'S AND STATE OF CARINTHIA'S BCA AFFIRMED**

The affirmations of the City of Vienna's Aa1 long-term issuer rating, Lower Austria's, Aa1 long-term issuer and senior unsecured ratings and Carinthia's, Aa2 long-term issuer rating reflect their strong institutional framework, ongoing reliable market access and robust debt affordability, alongside overall resilient economy, low unemployment levels, and moderate but rising debt burdens.

The City of Vienna's BCA was downgraded to aa3 from aa2, reflecting fiscal challenges. We expect that the City of Vienna's will face a gradual increase in debt due to persistent deficits, with efforts to contain these challenges only recently initiated and a turnaround not envisioned until 2029/30. We expect Vienna to continue running

deficits and negative primary operating margins, as expenditure growth outpaces revenue due to the need to expand its – in part discretionary - public services for its growing population. As per Vienna's multi-year planning, we forecast the debt burden will peak at 110% of operating revenues in 2029 and start declining thereafter (reflecting stable nominal debt but gradual growth of operating revenues).

The City's long-term issuer rating at Aa1 reflects the aa3 BCA as well as our assumption of a high likelihood of extraordinary support from the Government of Austria (Aa1 negative) in the event of default.

The affirmation of State of Lower Austria's ratings, and its aa3 BCA, reflects its solid budget consolidation efforts, despite low, primary operating surpluses in 2025 and 2026 with overall planned financial deficits. As a result, Lower Austria's debt burden will remain at around 114% of operating revenue over the same period. The government's governance and management practices are considered prudent, highly transparent and well predictable. The state's liquidity profile is adequate, supported by some sizeable financial reserves and assets that allow for partial use in case of need.

The Aa1 ratings of Lower Austria incorporate a BCA of aa3 and a high extraordinary support assumption from the Government of Austria.

The affirmation of State of Carinthia's rating, and its a1 BCA, reflects Austria's strong institutional framework and the state's sound budgetary management, which are counterbalanced by relatively high and increasing debt burden. The framework provides the possibility to access funding via the government's debt agency that allows Carinthia to access funding at favorable cost. Most recently, management struggles to address fiscal challenges, including rising expenditure pressure combined with sluggish tax revenue stream as a result of weak economic growth. The overall financial deficit in 2025 and following two years will push net direct and indirect debt burden up towards 140% of operating revenue over the coming two years, a relatively high level. Compared with other Austrian regions, Carinthia's liquidity profile appears somewhat weaker, as financial reserves have diminished over last decades.

The Aa2 ratings of State of Carinthia incorporate a BCA of a1 and a high extraordinary support assumption from the Government of Austria.

#### RATIONALE FOR CHANGING THE OUTLOOKS TO NEGATIVE FROM STABLE ON THREE GOVERNMENT-RELATED ISSUERS AND AFFIRMING THEIR RATINGS

The changes of outlooks to negative from stable with affirmation of ratings of BIG, ASFINAG and KAF reflects their strong linkages with the sovereign, which ties their ratings and outlooks to that of the sovereign.

The change of outlook to negative with rating affirmation for BIG reflect the full ownership of the Government of Austria, which is also the main tenant of BIG's real estate assets. Although BIG is not explicitly guaranteed by the federal government, it benefits from strong oversight, its strategic role and special mandate of managing a large part of the Government of Austria's real estate portfolio, as well as its business model which is strongly linked to revenues from the government. The company can also use Austria's government debt agency at favorable cost, to refinance maturing debt or to fund new investments. Therefore, BIG's rating is derived solely based on the rating of the Government of Austria.

The change of outlook to negative with rating affirmations on sovereign-guaranteed euro medium-term notes (EMTN) and its EMTN programme of ASFINAG and rated debt KAF reflect full, explicit, direct, unconditional and irrevocable guarantees from the Austrian government.

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

##### --Regional and Local Governments

Environmental, Social, and Governance (ESG) factors are incorporated into our assessment of Austrian RLGs through the application of the ESG Credit Impact Score (CIS) framework. Vienna has a CIS-1, Lower Austria and Carinthia each have CIS-2. Overall, ESG considerations have a limited or moderately positive impact on the credit quality of Austrian RLGs, benefiting from positive governance-related factors.

The environmental issuer profile scores are assessed as moderate (E-2) for all Austrian entities and reflect neutral-to-low risks for all environmental factors. In general, Austrian regions face a relatively low level of environment-related credit risk and are perceived to be resilient to climate shocks or negative trends. The

reconstruction investments to respond to natural disasters, such as floods, are typically funded by the central government. Mitigation works to prevent and limit the exposure to certain climate risks are mostly initiated, funded and executed by the central government in cooperation with the regional government.

The social issuer profile score of S-2 (Vienna, Lower Austria) and S-3 Carinthia reflects low risks from most social factors, other than demographics, which scores moderately negative for Carinthia and Lower-Austria and neutral for Vienna, and health and safety, which scores positive. Austria overall faces a trend of ageing population (except for in Vienna), resulting in declining labour supply across much of the country.

The positive governance issuer profile score (G-1) for all entities, reflects Austria's very strong institutional and governance framework. Budgetary discipline in Austria is underpinned by the Austrian Stability Pact agreement for spending restraint between the Austrian federal government and lower tiers of government. Under this agreement, budgets should be structurally balanced. The approach of budget preparation in Vienna, Lower Austria and Carinthia is prudent, transparent and predictable.

--Government-related issuers

Environmental and social risks are not significant to the GRIs.

Government risks are material, however the governance framework of each GRI is intrinsically intertwined with that of Austria which exerts decision-making power and strong oversight.

#### PUBLICATION OF RATING ACTIONS ON REGIONAL AND LOCAL GOVERNMENTS

The change of outlook to negative from stable and the affirmation of the Austrian sovereign issuer and bond ratings on 22 August 2025 prompted the publication of this credit rating action on Austrian regional and local governments on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on <https://ratings.moodys.com>.

#### ECONOMIC DATA

This specific economic indicators, as required by EU regulation, are not available for these three regions. The following national economic indicators are relevant to the sovereign rating, which was used as an input to this credit rating action.

GDP per capita (PPP basis, US\$): 72,819 (2024) (also known as Per Capita Income)

Real GDP growth (% change): -1% (2024) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 2.1% (2024)

Gen. Gov. Financial Balance/GDP: -4.6% (2024) (also known as Fiscal Balance)

Current Account Balance/GDP: 2.4% (2024) (also known as External Balance)

External debt/GDP: 157.5%

Economic resiliency: aa3

Default history: No default events (on bonds or loans) have been recorded since 1983.

#### SUMMARY OF MINUTES FROM RATING COMMITTEE

On 21 August 2025, a rating committee was called to discuss the rating of the Austrian sub-sovereign entities. The main points raised during the discussion were: The systemic risk in which the issuers operate has materially increased. Other views raised included: The issuer's fiscal profile, including its operating margin and debt profile, have materially weakened.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

--Regional and local governments

For Vienna, Lower Austria and Carinthia, given the negative outlook on the rating, positive rating action is unlikely. However, the outlooks could be stabilized at the current rating level if the outlook of the Government of Austria stabilized.

Downward pressure could emerge on the ratings from: a downgrade of the Government of Austria's sovereign rating, significant weakening of the regions' financials, higher debt burdens and a weakening of extraordinary support assumptions for Austria.

--Government-related issuers

The 3 GRIs' ratings would be upgraded / downgraded in line with any change in Government of Austria's rating. While unlikely, downward pressure could also arise if there is a change in the support structure that weakens the linkages with the sovereign.

## PRINCIPAL METHODOLOGIES

The principal methodology used in rating Autobahnen-Und Schnellstrassen Finanzierungs and Kaerntner Ausgleichszahlungs-Fonds was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moody.com/rmc-documents/386295>. The principal methodology used in rating Vienna, City of, Carinthia, State of and Lower Austria, State of was Regional and Local Governments published in May 2024 and available at <https://ratings.moody.com/rmc-documents/421891>. The principal methodology used in rating Bundesimmobiliengesellschaft m.b.H. was Government-related Issuers published in May 2025 and available at <https://ratings.moody.com/rmc-documents/443641>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of these methodologies.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moody.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL510967](https://www.moody.com/viewresearchdoc.aspx?docid=PBC_ARFTL510967) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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- Releasing Office
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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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