



AUSTRIA

SEPTEMBER 2023

COUNTRY REPORT

AUSTRIA

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MAP



KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES

18-MONTH	ÖVP-Greens 45%
FIVE-YEAR	*FPÖ-ÖVP 50%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS

	TURMOIL	FINANCIAL TRANSFER	DIRECT INVESTMENT	EXPORT MARKET
18-MONTH	Low	A+	A	A
FIVE-YEAR	Low	A+	A (A+)	A-

() Indicates change in rating

* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS

	REAL GDP GROWTH (%)	INFLATION (%)	CURRENT ACCOUNT (\$bn)
2018-2022(AVG)	1.3	3.3	7.24
2023(F)	0.1	8.2	6.70
2024-2028(F)	1.4	2.1	3.60

FPÖ LEADING THE FIELD

After nearly two years at the helm, Chancellor Karl Nehammer has failed to stop the hemorrhaging of support for the main governing ÖVP, as the far-right FPÖ has eagerly and deftly exploited discontent over rising costs, and efforts to move past the corruption scandal that ended the political career of Nehammer's predecessor, Sebastian Kurz, have been undermined by new revelations of sleaze that have further damaged the party's credibility and reputation. The governing partnership of the ÖVP and the Greens has been slow to react to the challenge raised by the FPÖ, in part due to internal tensions that burst into the open in March, when Nehammer declared his opposition to the EU's de facto ban on combustion engines, in defiance of a prior agreement with EU partners and the preferences of the Greens.

Herbert Kickl has resurrected the FPÖ from the ashes of its own corruption scandal that brought the downfall of former leader Heinz-Christian Strache in 2019, and the party is now participating in the government in Lower Austria and Salzburg following gains in recent state elections. Polling data suggests that the FPÖ is in an even stronger position nationally, currently favored by close to 30% of voters, while support for the ÖVP has sagged to near 20%, down from its 37.5% vote share at the 2019 elections.

Despite their differences, the ÖVP and the Greens both recognize that forcing a snap election would not be in their interest. But barring a significant shift in voter sentiment over the next year, it is probable that an election held in 2024 will result in significant gains for the FPÖ that will make it difficult to keep it out of the government, even if it falls short of a first-place finish.

During its previous turns in government in 2000-2005 and 2017-2019, the FPÖ served as the junior partner of the ÖVP, which limited its ability to influence policy to an extent that might seriously complicate Austria's relations with its EU partners. There is no reason to assume similar constraints would apply under an arrangement in which the ÖVP serves as the support party in a coalition government dominated by the FPÖ, particularly given the ÖVP's more recent deviation from the European mainstream on the issues of migration and climate change.

The Nehammer government's pandering to anti-immigrant sentiment at the expense of European solidarity is understandably troubling to pro-European political factions in Austria and elsewhere on the continent, given Vienna's continuing influence in the Western Balkans, its tolerance of Hungary's repeated flouting of EU norms, and its contrarian position on issues of importance to European security, including the EU's response to Russian aggression in Ukraine. Most disconcerting is the recognition that the FPÖ's assumption of power in partnership with the ÖVP would have an appreciably greater negative connotation for Austria's impact on the internal stability of the EU.

GDP contracted in both nominal and real terms in the April-June quarter, reflecting the negative impact of decelerating growth in key markets on demand for exports and the continued sluggishness of private consumption amid persistent high energy prices and weak real wage growth. Confidence measures and other monthly indicators point to the continued weakness of economic activity in the coming months. Assuming an easing of high energy prices that contributes to lower inflation heading into 2024, a combination of stronger private consumption and improved conditions for exporters will create a basis for a modest acceleration of real GDP growth next year, but expansion will remain subdued at just 1%-1.5%, following a barely positive reading (at best) in 2023.

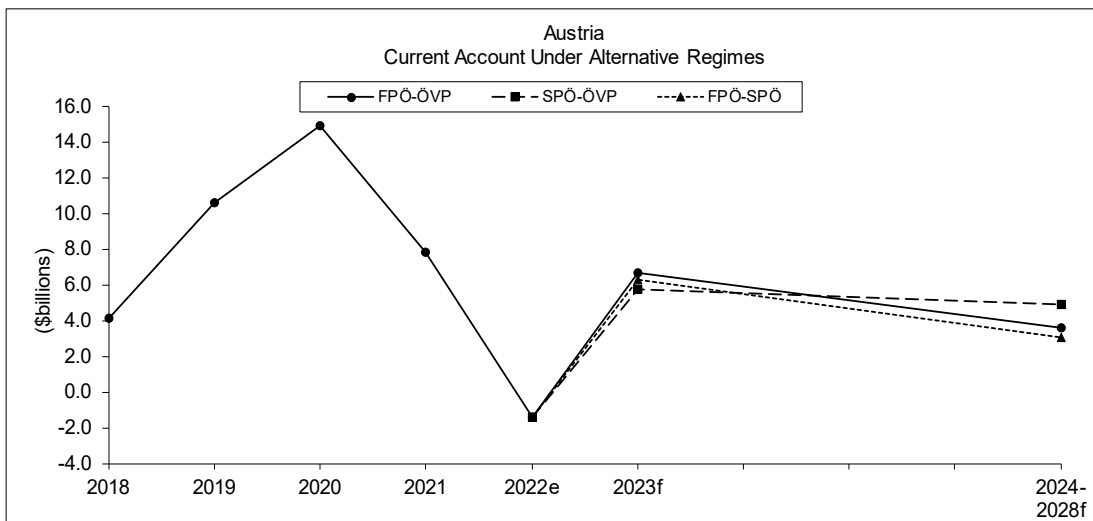
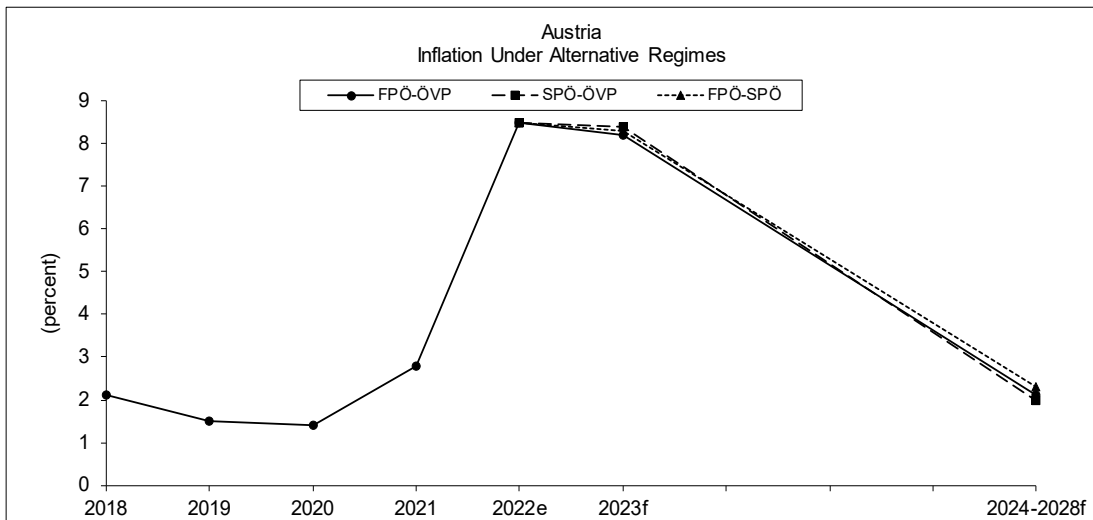
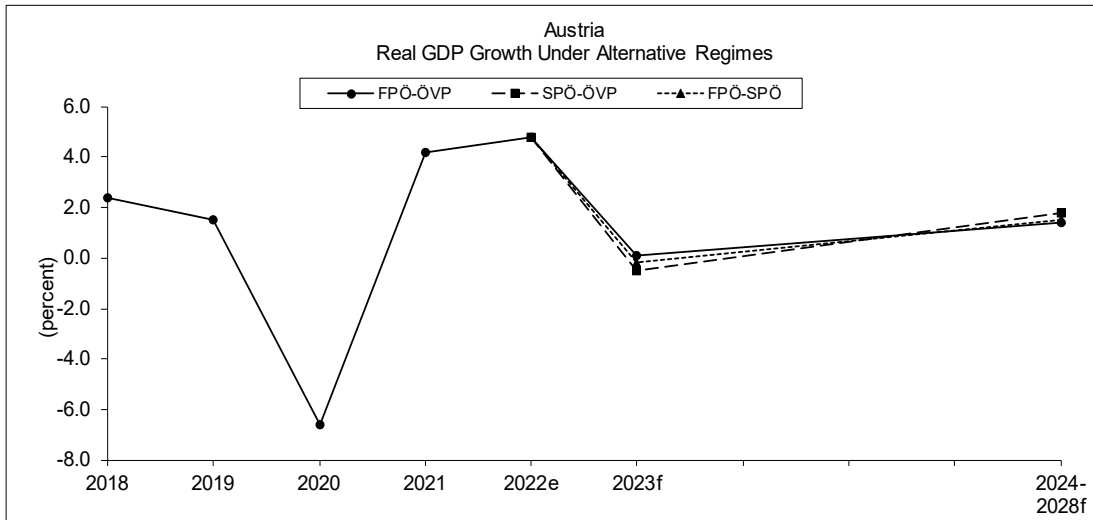
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES

	FPÖ-ÖVP			SPÖ-ÖVP			FPÖ-SPÖ		
	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)	GROWTH (%)	INFLATION (%)	CACC (\$bn)
2023	0.1	8.2	6.70	-0.5	8.4	5.80	-0.2	8.3	6.30
2024-2028	1.4	2.1	3.60	1.8	2.0	4.90	1.5	2.3	3.10

REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST				
REGIMES & PROBABILITIES		ÖVP-Greens 45%	FPÖ-ÖVP 40%	SPÖ-ÖVP 15%
RISK FACTORS	CURRENT			
Turmoil	Low	Same	SLIGHTLY MORE	Same
Investment				
Equity	Moderate	Same	Same	Same
Operations	Low	SLIGHTLY MORE	SLIGHTLY MORE	Same
Taxation	Low	Same	Same	Same
Repatriation	Low	Same	Same	Same
Exchange	Low	Same	Same	Same
Trade				
Tariffs	Moderate	Same	Same	Same
Other Barriers	Moderate	SLIGHTLY MORE	SLIGHTLY MORE	Same
Payment Delays	Low	Same	Same	Same
Economic Policy				
Expansion	Moderate	Same	Same	Same
Labor Costs	Moderate	Same	Same	Same
Foreign Debt	Low	Same	Same	Same
SUMMARY OF FIVE-YEAR FORECAST				
REGIMES & PROBABILITIES		*FPÖ-ÖVP 50%	SPÖ-ÖVP 30%	FPÖ-SPÖ 20%
RISK FACTORS	BASE			
Turmoil	Low	Same	Same	Same
Restrictions				
Investment	Low	Same	SLIGHTLY LESS	Same
Trade	Moderate	Same	Same	Same
Economic Problems				
Domestic	Moderate	Same	SLIGHTLY LESS	Same
International	Moderate	SLIGHTLY LESS	SLIGHTLY LESS	SLIGHTLY LESS

* When present, indicates forecast of a new regime



Austria Econometric Data

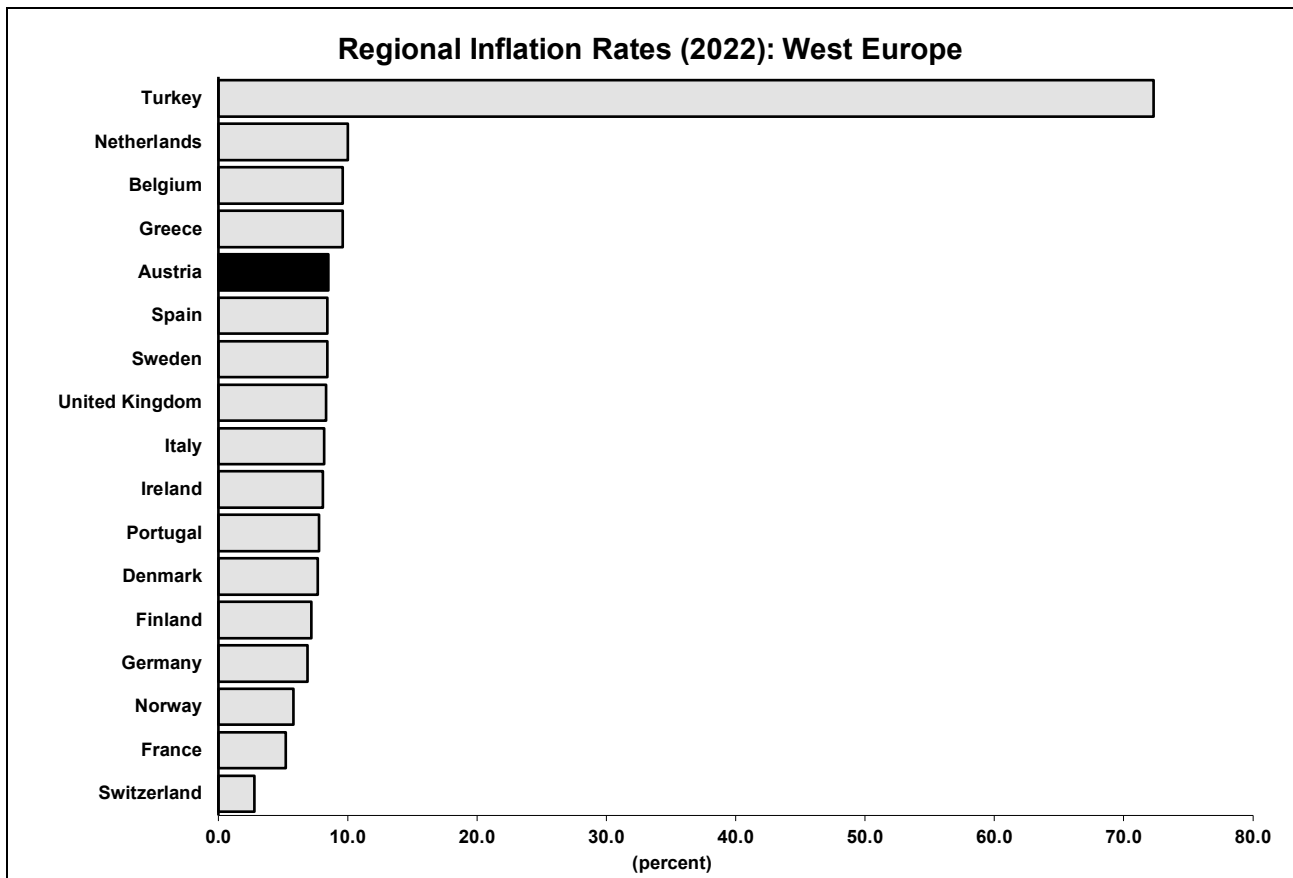
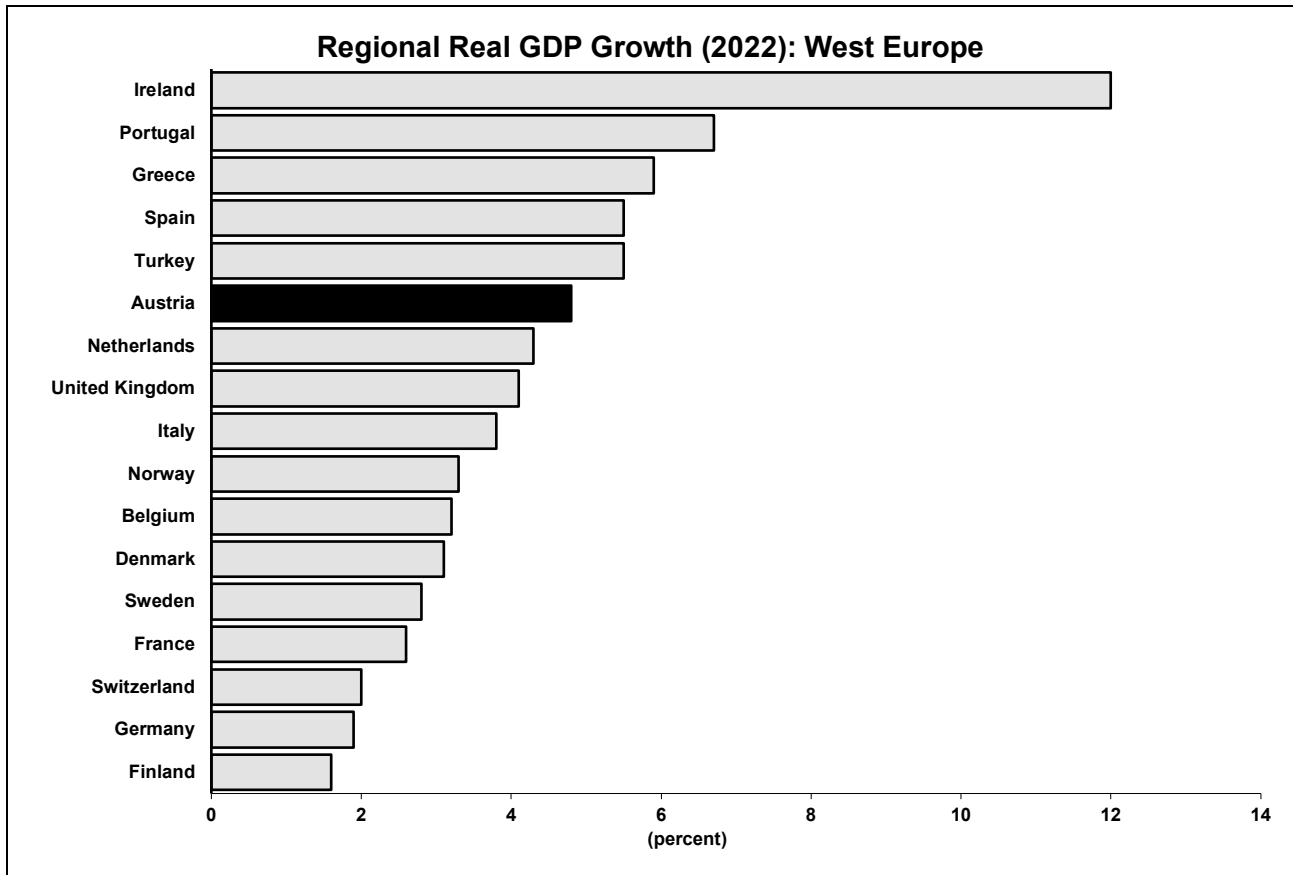
	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, \$bn)	413.25	456.53	430.16	442.43	381.67	395.58	416.42
Per Capita GDP (\$)	47868	51131	50726	51807	44226	45261	47320
Real GDP Growth Rate (%)	1.2	1.3	0.0	0.7	1.0	2.0	2.3
Inflation Rate (%)	1.5	3.3	2.1	1.5	0.8	1.0	2.2
Capital Investment (\$bn)	99.28	120.59	102.05	104.11	90.86	95.95	103.43
Capital Investment/GDP (%)	24.0	26.4	23.7	23.5	23.8	24.3	24.8
Budget Revenues (\$bn)	86.48	94.75	94.77	94.90	80.63	78.89	83.21
Budget Revenues/GDP (%)	20.9	20.7	22.0	21.5	21.1	19.9	20.0
Budget Expenditures (\$bn)	91.51	108.42	100.35	99.14	82.69	84.42	90.96
Budget Expenditures/GDP (%)	22.1	23.7	23.3	22.4	21.7	21.3	21.8
Budget Balance (\$bn)	-5.03	-13.67	-5.58	-4.24	-2.06	-5.53	-7.75
Budget Balance/GDP (%)	-1.2	-3.0	-1.3	-1.0	-0.5	-1.4	-1.9
Money Supply (M1, \$bn)	249.55	339.36	221.26	246.75	230.17	258.47	291.10
Change in Real Wages (%)	2.1	0.4	2.6	2.5	2.2	1.6	1.5
Unemployment Rate (%)	6.1	5.4	5.7	6.1	6.2	6.5	5.9
International Economic Indicators							
Foreign Direct Investment (\$bn)	-4.37	-5.31	0.42	1.89	-8.01	-29.49	13.33
Forex Reserves (\$bn)	8.99	8.51	8.14	10.64	9.62	9.72	6.81
Gross Reserves (ex gold, \$bn)	12.43	13.93	12.47	14.15	12.70	12.94	9.89
Gold Reserves (\$bn)	10.65	14.62	10.82	10.80	9.54	10.42	11.68
Gross reserves (inc gold, \$bn)	23.08	28.55	23.29	24.95	22.24	23.36	21.57
Total Foreign Debt (\$bn)	711.51	702.77	796.11	808.98	656.21	650.96	645.31
Total Foreign Debt/GDP (%)	171.9	154.1	185.1	182.8	171.9	164.6	155.0
Debt Service (\$bn)	5.18	6.25	5.20	5.41	4.73	5.12	5.43
Debt Service/XGS (%)	2.1	2.1	2.0	2.0	2.1	2.1	2.1
Current Account (\$bn)	8.48	7.24	8.36	10.94	6.58	10.78	5.72
Current Account/GDP (%)	2.0	1.6	1.9	2.5	1.7	2.7	1.4
Current Account/XGS (%)	3.3	2.6	3.2	4.0	2.9	4.4	2.2
Exports (\$bn)	155.67	182.38	164.27	167.47	143.22	145.49	157.90
Imports (\$bn)	154.38	181.56	165.59	166.36	140.69	142.60	156.68
Trade Balance (\$bn)	1.29	0.83	-1.32	1.11	2.53	2.89	1.22
Exports of Services (\$bn)	64.12	74.22	64.56	68.64	59.00	61.45	66.97
Income, credit (\$bn)	26.90	34.00	27.85	30.57	17.56	31.14	27.38
Transfers, credit (\$bn)	4.91	7.08	3.49	3.90	5.41	5.58	6.18
Exports G&S (\$bn)	251.61	297.68	260.17	270.58	225.19	243.66	258.43
Liabilities (\$bn)	3.29	6.62	2.91	3.36	3.27	3.55	3.38
Net Reserves (\$bn)	19.79	21.93	20.38	21.59	18.97	19.81	18.19
Liquidity (months import cover)	1.6	1.5	1.5	1.6	1.6	1.7	1.4
Currency Exchange Rate	0.840	0.883	0.753	0.753	0.902	0.904	0.887
Currency Change (%)	-2.3	-1.2	3.3	0.0	-16.5	-0.2	1.9
Social Indicators							
Population (million)	8.64	8.93	8.48	8.54	8.63	8.74	8.80
Population Growth (%)	0.9	0.6	0.6	0.7	1.1	1.3	0.7
Infant Deaths/1000	4	3	4	4	4	3	3
Persons under Age 15 (%)	14	14	14	14	14	14	14
Urban Population (%)	58	59	57	58	58	58	58
Urban Growth (%)	1.2	0.8	0.6	0.7	2.8	1.3	0.7
Literacy % pop.	98	98	98	98	98	98	98
Agricultural Work Force (%)	5	4	5	5	5	4	4
Industry-Commerce Work Force (%)	26	25	26	26	26	26	25
Services Work Force (%)	70	71	69	69	69	70	71
Unionized Work Force (%)	28	28	28	28	28	28	28
Energy - total consumption (10 ¹⁵ Btu)	1.46	1.46	1.49	1.45	1.43	1.46	1.49
Energy - consumption/head (10 ⁹ Btu)	0.17	0.16	0.18	0.17	0.17	0.17	0.17

Austria

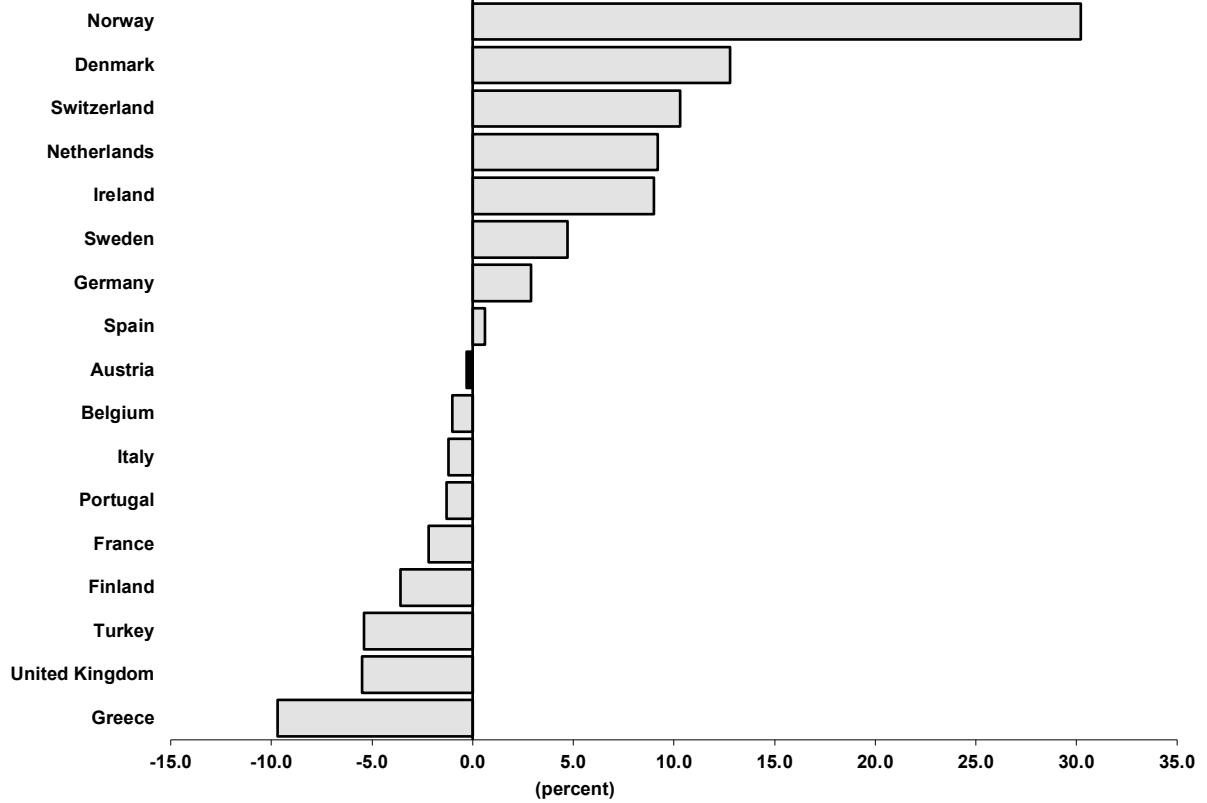
Econometric Data

	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, \$bn)	413.25	456.53	454.33	444.76	434.31	479.01	470.26
Per Capita GDP (\$)	47868	51131	51395	50086	48689	53521	51962
Real GDP Growth Rate (%)	1.2	1.3	2.4	1.5	-6.6	4.2	4.8
Inflation Rate (%)	1.5	3.3	2.1	1.5	1.4	2.8	8.5
Capital Investment (\$bn)	99.28	120.59	116.88	112.74	111.30	132.49	129.55
Capital Investment/GDP (%)	24.0	26.4	25.7	25.4	25.6	27.7	27.6
Budget Revenues (\$bn)	86.48	94.75	90.66	89.98	89.98	105.39	97.73
Budget Revenues/GDP (%)	20.9	20.7	20.0	20.2	20.7	22.0	20.8
Budget Expenditures (\$bn)	91.51	108.42	91.96	88.32	115.61	126.64	119.56
Budget Expenditures/GDP (%)	22.1	23.7	20.2	19.9	26.6	26.4	25.4
Budget Balance (\$bn)	-5.03	-13.67	-1.30	1.66	-25.63	-21.25	-21.83
Budget Balance/GDP (%)	-1.2	-3.0	-0.3	0.4	-5.9	-4.4	-4.6
Money Supply (M1, \$bn)	249.55	339.36	316.99	294.36	347.89	390.93	346.62
Change in Real Wages (%)	2.1	0.4	2.5	3.1	0.1	1.7	-5.5
Unemployment Rate (%)	6.1	5.4	5.2	4.8	6.0	6.2	4.8
International Economic Indicators							
Foreign Direct Investment (\$bn)	-4.37	-5.31	-29.92	-12.69	-11.73	18.08	9.69
Forex Reserves (\$bn)	8.99	8.51	9.00	7.89	8.97	8.88	7.80
Gross Reserves (ex gold, \$bn)	12.43	13.93	12.12	10.15	12.48	18.34	16.55
Gold Reserves (\$bn)	10.65	14.62	10.65	13.34	15.85	17.13	16.15
Gross reserves (inc gold, \$bn)	23.08	28.55	22.77	23.49	28.33	35.47	32.70
Total Foreign Debt (\$bn)	711.51	702.77	685.34	686.26	719.94	784.04	638.25
Total Foreign Debt/GDP (%)	171.9	154.1	150.8	154.3	165.8	163.7	135.7
Debt Service (\$bn)	5.18	6.25	6.04	6.02	5.48	6.74	6.97
Debt Service/XGS (%)	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Current Account (\$bn)	8.48	7.24	4.11	10.61	14.95	7.88	-1.37
Current Account/GDP (%)	2.0	1.6	0.9	2.4	3.4	1.6	-0.3
Current Account/XGS (%)	3.3	2.6	1.4	3.7	5.7	2.5	-0.4
Exports (\$bn)	155.67	182.38	176.00	171.08	158.84	197.37	208.62
Imports (\$bn)	154.38	181.56	174.68	166.19	153.75	197.44	215.72
Trade Balance (\$bn)	1.29	0.83	1.32	4.89	5.09	-0.07	-7.10
Exports of Services (\$bn)	64.12	74.22	75.75	76.66	64.93	70.55	83.23
Income, credit (\$bn)	26.90	34.00	29.71	32.37	30.12	45.13	32.68
Transfers, credit (\$bn)	4.91	7.08	6.24	6.39	7.30	7.87	7.58
Exports G&S (\$bn)	251.61	297.68	287.70	286.50	261.19	320.92	332.11
Liabilities (\$bn)	3.29	6.62	4.92	3.88	4.00	12.77	7.54
Net Reserves (\$bn)	19.79	21.93	17.85	19.61	24.33	22.70	25.16
Liquidity (months import cover)	1.6	1.5	1.2	1.4	1.9	1.4	1.4
Currency Exchange Rate	0.840	0.883	0.848	0.893	0.877	0.846	0.951
Currency Change (%)	-2.3	-1.2	4.6	-5.0	1.8	3.7	-11.0
Social Indicators							
Population (million)	8.64	8.93	8.84	8.88	8.92	8.95	9.05
Population Growth (%)	0.9	0.6	0.5	0.5	0.5	0.3	1.1
Infant Deaths/1000	4	3	3	3	3	3	3
Persons under Age 15 (%)	14	14	14	14	14	14	14
Urban Population (%)	58	59	58	59	59	59	59
Urban Growth (%)	1.2	0.8	0.5	2.2	0.5	0.3	0.4
Literacy % pop.	98	98	98	98	98	99	99
Agricultural Work Force (%)	5	4	4	4	4	4	4
Industry-Commerce Work Force (%)	26	25	25	25	25	25	25
Services Work Force (%)	70	71	71	71	71	71	71
Unionized Work Force (%)	28	28	28	28	28	28	28
Energy - total consumption (10 ¹⁵ Btu)	1.46	1.46	1.46	1.52	1.41	1.44	1.46
Energy - consumption/head (10 ⁹ Btu)	0.17	0.16	0.17	0.17	0.16	0.16	0.16

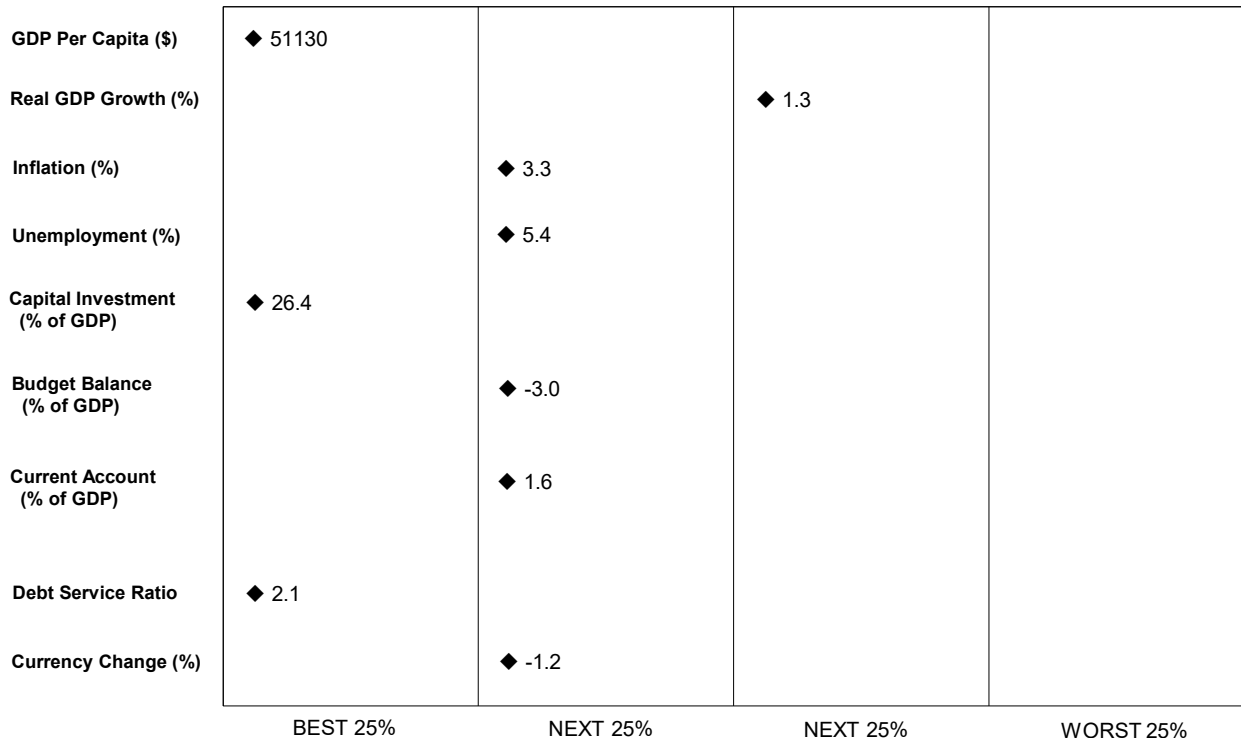
INTRA-REGIONAL COMPARISONS



Regional Current Account/GDP (2022): West Europe



Economic Performance Profile Country's Ranking Relative to All Countries Covered by Political Risk Services 2018-2022



GEOPOLITICAL & ECONOMIC ANALYSIS

FPÖ ASCENDANT AS NEHAMMER STRUGGLES

After nearly two years at the helm, Chancellor Karl Nehammer has failed to stop the hemorrhaging of support for the main governing Austrian People's Party (ÖVP), as the far-right Freedom Party of Austria (FPÖ) has eagerly and deftly exploited discontent over rising costs and efforts to move past the corruption scandal that ended the political career of Nehammer's predecessor, Sebastian Kurz, have been undermined by new revelations of sleaze that have further damaged the party's credibility and reputation. The governing partnership of the ÖVP and the Greens has been slow to react to the challenge raised by the FPÖ, in part due to internal tensions that burst into the open in March, when Nehammer declared his opposition to the EU's de facto ban on combustion engines, in defiance of a prior agreement with EU partners and the preferences of the Greens.

As the ÖVP has floundered, Herbert Kickl has resurrected the FPÖ from the ashes of its own corruption scandal that brought the downfall of former leader Heinz-Christian Strache in 2019. Losses suffered by the ÖVP at state elections in Lower Austria in late January cost the party its absolute majority in a traditional stronghold, forcing ÖVP Gov. Johanna Mikl-Leitner to enter into a coalition with the FPÖ, which increased its vote total by more than 9 percentage points (to 24.2%) and vaulted past the center-left Social Democratic Party of Austria (SPÖ) into second place. The FPÖ repeated its success three months later in Salzburg, albeit to a less dramatic degree, and is now governing alongside the ÖVP under Gov. Wilfried Haslauer, who had repeatedly ruled out a partnership with the FPÖ during the campaign.

Polling data suggests that the FPÖ is in an even stronger position nationally, currently favored by close to 30% of voters, while support for the ÖVP has sagged to near 20%, down from its 37.5% vote share at the 2019 elections. The SPÖ has gained a bit of ground following the resolution of a messy leadership election in early June but continues to trail the FPÖ with around 25% support. The new chair, Andreas Babler, has yet to offer a compelling reason for voters who are dissatisfied with the incumbent government to choose the SPÖ over the FPÖ, and the surprisingly strong showing by the Communist Party of Austria (KPÖ) at the April state elections in Salzburg highlighted the potential for the SPÖ to face competition from the populist left if Babler fails to address that shortcoming.

The prospect of the FPÖ being in a position to lead the government following an election that falls due in the autumn of 2024 is troubling to defenders of liberal democracy in Austria and across the EU, and their angst has intensified following Kickl's recent defense of a video produced by the FPÖ youth wing that included unmistakable references to the Third Reich. In July, Nehammer pointedly ruled out any chance of the ÖVP teaming up with the FPÖ in the federal government if Kickl remains at the helm, a declaration that FPÖ General Secretary Christian Hafenecker dismissed as irrelevant, owing the

increasing likelihood that Nehammer will no longer be leading the ÖVP during post-election coalition negotiations.

The chancellor's desperation is evident from his embrace of migration reform as the ÖVP's path out of the doldrums. Although a surge in inward migration has emerged as a growing concern for voters, Nehammer cannot count on the cooperation of either the Greens or the EU to help him deliver policy-related wins on the issue, and his shift to the right on a key battlefield of the culture wars risks alienating more moderate ÖVP supporters.

Despite their differences, the ÖVP and the Greens both recognize that forcing a snap election would not be in their interest. But barring a significant shift in voter sentiment over the next year, it is probable that an election held in 2024 will result in significant gains for the FPÖ that will make it difficult to keep it out of the government, even if it falls short of a first-place finish.

TROUBLE WITH EU PARTNERS

During its previous turns in government in 2000-2005 and 2017-2019, the FPÖ served as the junior partner of the ÖVP, which limited its ability to influence policy to an extent that might seriously complicate Austria's relations with its EU partners. There is no reason to assume similar constraints would apply under an arrangement in which the ÖVP serves as the support party in a coalition government dominated by the FPÖ, particularly given the ÖVP's more recent deviation from the European mainstream on the issues of migration and climate change.

Austria has already roiled the EU waters by vetoing the accession of Bulgaria and Romania to the visa-free Schengen area, on the grounds of inadequate border controls. Romanian officials have accused Nehammer of playing politics, citing Austria's reversal of its initial objections to Croatia's Schengen membership, despite comparable numbers of asylum applications, following intense lobbying by Austrian business interests fearful of losing investment opportunities in Croatia and a pledge by Croatian Prime Minister Andrej Plenković to deliver gas to Austria through an expanded Adria pipeline.

Romanian Prime Minister Marcel Ciolacu has threatened to bring the matter before the European Court of Justice, but Vienna has given no indication that it is prepared to change its position. Indeed, Interior Minister Gerhard Karner has stated that it makes no sense to expand Schengen under conditions that have required several member states to erect internal border controls, an argument that would carry greater weight if not for the fact that Austria approved Croatia's entry under those same circumstances.

The Nehammer government's pandering to anti-immigrant sentiment at the expense of European solidarity is understandably troubling to pro-European political factions in Austria and elsewhere on the continent, given Vienna's continuing influence in the Western Balkans, its tolerance of Hungary's

repeated flouting of EU norms, and its contrarian position on issues of importance to European security, including the EU's response to Russian aggression in Ukraine. Most disconcerting is the recognition that the FPÖ's assumption of power in partnership with the ÖVP would have an appreciably greater negative connotation for Austria impact on the internal stability of the EU.

WEAK ECONOMY

The economic outlook will not be conducive to reviving the ÖVP's flagging fortunes ahead of the next election. Real GDP growth averaged 7.4% (year-on-year) in the first half of 2022, underpinned by an accommodating monetary policy, targeted fiscal spending, and the release of pent-up demand and improved tourism numbers following the lifting of pandemic-related health restrictions.

However, growth slowed markedly in the second half of the year, as a surge in prices for food and energy triggered by the war in Ukraine had a dampening effect on domestic demand that was reinforced by the initiation of monetary tightening by the European Central Bank. Year-on-year real growth slowed to 1.9% in July-December, pulling the annual rate of expansion below 5%.

Economic activity stagnated in the final quarter of the year, after registering a quarter-on-quarter contraction in July-September (thereby barely averting technical recession), but conditions have not improved this year. GDP increased by a scant 0.1% in the first quarter (with year-on-year real growth holding steady at 1.9%) and contracted in both nominal and real terms (by 0.8% and 1.3%, respectively) in the April-June quarter, reflecting the negative impact of decelerating growth in key markets on demand for exports and the continued sluggishness of private consumption amid persistent high energy prices and weak real wage growth.

Confidence measures and other monthly indicators, including the manufacturing purchasing managers' index (PMI) point to the continued weakness of economic activity in the coming months. Assuming an easing of high energy prices that contributes to lower inflation heading into 2024, a combination of stronger private consumption and improved conditions for exporters will create a basis for a modest acceleration of real GDP growth next year, but expansion will remain subdued at just 1%-1.5%, following a barely positive reading (at best) in 2023.

Inflation has eased steadily since the start of the year, but both the headline rate and harmonized inflation have persisted above the EU average, reflecting in part the government's decision to eschew market intervention to manage prices and instead rely on fiscal measures to mitigate the impact of higher energy costs on businesses and households. Wage hikes commensurate with higher inflation will contribute to stronger demand, which has positive implications for growth heading into 2024, but will complicate efforts to keep inflation on a steady downward trajectory. Year-on-year inflation will move below 5% by the end of 2023, but the annual average will come in above 8%.

Unlike most of its EU partners, Austria continues to depend on Russia for a significant portion of its energy supply, leaving it vulnerable to a cessation of pipeline shipments via Ukraine, a transit arrangement that Kyiv has warned it will not renew when the contract with Gazprom expires next year. Austria has protected itself against that danger by securing alternative supplies and maintaining a substantial strategic reserve, which should be sufficient to mitigate risks to the domestic energy supply going forward.

Rapid growth of nominal GDP (measured in euros) and reduced spending on pandemic-related programs facilitated the narrowing of the general government budget deficit to 3.2% of GDP last year. A combination of slower economic growth, reduced revenues resulting from tax reforms that took effect last year, and the cost associated with inflation-relief measures will limit the extent of additional improvement this year, and electoral considerations create some risk that the deficit might exceed the EU's 3% of GDP ceiling in 2024. In any case, debt-related risks will remain in check in the near term.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk claims and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have “predictive power for both political risk insurance claims as well as political risk events measured by news coverage.”

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
SEPTEMBER 2023 VERSUS OCTOBER 2022

RANK IN 09/23	COUNTRY	COMPOSITE RISK RATING 09/23	COMPOSITE RISK RATING 10/22	09/23 VERSUS 10/22	RANK IN 10/22
<i>Very Low Risk</i>					
1	Norway	86.8	86.3	0.5	2
2	Switzerland	86.0	87.0	-1.0	1
3	Luxembourg	85.8	85.5	0.3	4
4	Denmark	84.8	83.8	1.0	6
5	Taiwan	84.5	83.8	0.8	6
6	Singapore	84.3	85.8	-1.5	3
7	Ireland	83.8	81.8	2.0	9
8	Saudi Arabia	82.5	85.5	-3.0	4
9	Brunei	81.5	79.5	2.0	15
10	Canada	80.8	81.3	-0.5	10
10	Iceland	80.8	80.0	0.8	14
10	Qatar	80.8	78.8	2.0	17

* C Harvey, et al., “Political Risk Spreads,” Journal of International Business Studies, (2014), 471-493.

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RANK IN 09/23	COUNTRY	COMPOSITE RISK RATING 09/23	COMPOSITE RISK RATING 10/22	09/23 VERSUS 10/22	RANK IN 10/22
13	Japan	80.5	75.8	4.8	25
13	Netherlands	80.5	79.3	1.3	16
13	United Arab Emirates	80.5	82.3	-1.8	8
16	Korea, Republic	80.3	77.0	3.3	23
17	Kuwait	80.0	80.8	-0.8	11
17	Sweden	80.0	80.3	-0.3	13
Low Risk					
19	Australia	79.5	80.8	-1.3	11
19	Botswana	79.5	76.3	3.3	24
21	Germany	79.3	78.3	1.0	18
22	Finland	78.8	78.0	0.8	20
23	Hong Kong	78.0	73.8	4.3	36
24	New Zealand	77.8	74.8	3.0	32
25	Portugal	77.0	75.0	2.0	31
25	Trinidad & Tobago	77.0	77.5	-0.5	22
27	Austria	76.5	78.0	-1.5	20
27	Oman	76.5	78.3	-1.8	18
29	Czech Republic	76.0	75.5	0.5	28
30	Kazakhstan	75.5	75.5	0.0	28
31	Guyana	75.3	75.8	-0.5	25
32	Malaysia	75.0	73.0	2.0	40
33	Uzbekistan	74.8	72	2.5	43
34	Bahamas	74.5	70.8	3.8	55
34	Belgium	74.5	74.0	0.5	35
34	Italy	74.5	72.8	1.8	41
37	Israel	74.3	74.8	-0.5	32
38	Slovenia	74.0	72.3	1.8	43
38	United Kingdom	74.0	75.8	-1.8	25

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RANK IN 09/23	COUNTRY	COMPOSITE RISK RATING 09/23	COMPOSITE RISK RATING 10/22	09/23 VERSUS 10/22	RANK IN 10/22
40	Azerbaijan	73.8	73.3	0.5	38
40	Croatia	73.8	73.3	0.5	38
40	Libya	73.8	70.5	3.3	59
40	Malta	73.8	74.3	-0.5	34
40	Panama	73.8	73.5	0.3	37
40	Uruguay	73.8	75.5	-1.8	28
46	Costa Rica	73.0	72.0	1.0	45
47	Latvia	72.8	71.0	1.8	52
48	France	72.5	71.8	0.8	48
48	Jamaica	72.5	72.0	0.5	45
50	Chile	72.0	70.5	1.5	59
50	Dominican Republic	72.0	72.5	-0.5	42
50	Spain	72.0	72.0	0.0	45
53	Philippines	71.8	70.0	1.8	61
54	Bulgaria	71.5	70.0	1.5	61
54	Vietnam	71.5	70.8	0.8	55
56	Poland	71.3	70.8	0.5	55
57	Brazil	71.0	69.0	2.0	70
58	Hungary	70.8	71.3	-0.5	50
59	Thailand	70.5	64.3	6.3	91
60	Guatemala	70.3	71.0	-0.8	52
60	India	70.3	69.5	0.8	64
60	United States	70.3	71.5	-1.3	49
63	Cyprus	70.0	69.5	0.5	64
63	Gabon	70.0	66.0	4.0	85
Moderate Risk					
65	China, Peoples' Rep.	69.8	69.5	0.3	64
65	Lithuania	69.8	69.8	0.0	63

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67	Greece	69.5	67.3	2.3	78
68	Bahrain	69.3	68.8	0.5	71
68	Estonia	69.3	70.8	-1.5	55
68	Indonesia	69.3	68.3	1.0	73
68	Papua New Guinea	69.3	69.3	0.0	67
72	Namibia	69.0	71.0	-2.0	52
73	Iraq	68.8	71.3	-2.5	50
74	Congo, Republic	68.5	63.8	4.8	96
74	Mexico	68.5	68.8	-0.3	71
74	Peru	68.5	68.0	0.5	75
77	Algeria	67.8	69.3	-1.5	67
78	Slovakia	67.5	68.3	-0.8	73
79	Romania	67.3	66.3	1.0	84
79	South Africa	67.3	66.8	0.5	81
81	Honduras	67.0	66.8	0.3	81
82	Gambia	66.8	65.8	1.0	88
82	Russia	66.8	66.0	0.8	85
84	El Salvador	66.5	63.5	3.0	98
84	Mongolia	66.5	65.5	1.0	89
84	Serbia	66.5	66.8	-0.3	81
87	Morocco	66.3	64.3	2.0	91
88	Ecuador	66.0	67.5	-1.5	76
88	Tanzania	66.0	64.8	1.3	90
90	Guinea-Bissau	65.3	62.5	2.8	103
90	Jordan	65.3	64.0	1.3	95
92	Paraguay	65.3	64.3	1.0	91
93	Albania	64.8	67.5	-2.8	76
94	Bolivia	64.5	66.0	-1.5	85

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RANK IN 09/23	COUNTRY	COMPOSITE RISK RATING 09/23	COMPOSITE RISK RATING 10/22	09/23 VERSUS 10/22	RANK IN 10/22
95	Nicaragua	63.8	62.8	1.0	100
96	Bangladesh	63.5	62.5	1.0	103
96	Cote d'Ivoire	63.5	61.0	2.5	107
96	Togo	63.5	62.8	0.8	100
99	Colombia	63.3	63.8	-0.5	96
100	Iran	63.0	67.0	-4.0	79
101	Madagascar	62.8	62.8	0.0	100
102	Angola	62.3	67.0	-4.8	79
103	Zambia	62.0	63.0	-1.0	99
104	Belarus	61.8	56.5	5.3	126
104	Cuba	61.8	69.3	-7.5	67
104	Ghana	61.8	59.0	2.8	114
107	Cameroon	61.5	59.8	1.8	110
108	Moldova	61.3	58.8	2.5	116
108	Ukraine	61.3	56.3	5.0	127
110	Armenia	61.0	60.5	0.5	108
111	Guinea	60.0	57.3	2.8	124
111	Mozambique	60.0	53.5	6.5	132
111	Uganda	60.0	59.3	0.8	112
High Risk					
114	Tunisia	59.8	61.3	-1.5	106
115	Burkina Faso	59.0	58.3	0.8	118
116	Suriname	58.8	59.0	-0.3	114
117	Senegal	58.5	58.0	0.5	122
118	Ethiopia	58.0	58.0	0.0	122
119	Mali	57.8	58.3	-0.5	118
120	Zimbabwe	57.5	61.5	-4.0	105
121	Congo, Dem. Republic	57.0	60.3	-3.3	109

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121	Kenya	57.0	58.3	-1.3	118
121	Myanmar	57.0	55.8	1.3	128
124	Haiti	56.5	54.8	1.8	130
125	Argentina	56.3	64.3	-8.0	91
125	Sierra Leone	56.3	53.8	2.5	131
127	Egypt	56.0	59.3	-3.3	112
128	Yemen, Republic	55.8	48.3	7.5	138
129	Nigeria	55.5	59.8	-4.3	110
130	Turkey	55.3	55.8	-0.5	128
131	Liberia	55.0	58.3	-3.3	118
131	Venezuela	55.0	58.5	-3.5	117
133	Sri Lanka	54.5	48.5	6.0	137
134	Malawi	52.8	51.0	1.8	135
135	Somalia	51.8	52.0	-0.3	133
Very High Risk					
136	Korea, D.P.R.	49.3	51.0	-1.8	135
136	Pakistan	49.3	52.0	-2.8	133
138	Niger	46.8	56.8	-10.0	125
139	Syria	45.0	43.8	1.3	139
140	Sudan	44.8	43.0	1.8	140
141	Lebanon	35.0	41.5	-6.5	141

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