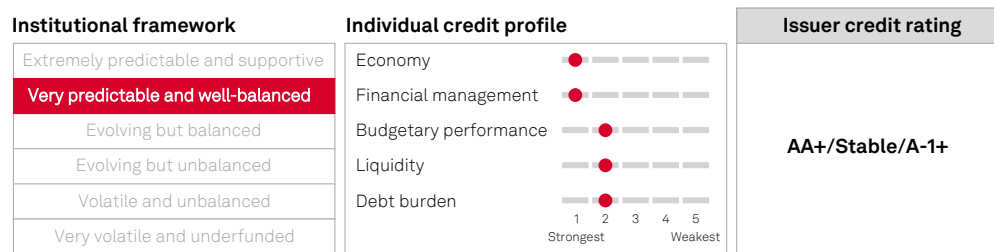


Upper Austria (State of)

May 18, 2026

This report does not constitute a rating action.

Ratings Score Snapshot



Primary Contact

Alexander Maichel
Frankfurt
49-69-33999-267
alexander.maichel
@spglobal.com

Secondary Contact

Michael Stroschein
Frankfurt
49-693-399-9251
michael.stroschein
@spglobal.com

Credit Highlights

Overview

Credit context and assumptions	Base-case expectations
The state of Upper Austria's wealthy, industry-heavy economy has been resilient over the past several years.	Upper Austria should post moderate deficits after capital accounts, given an ambitious investment agenda and persistent cost pressures.
A modest recovery of Austria's national economy should support growth of Upper Austria's shared tax revenue over the coming years.	The state's debt burden will increase over the coming years but remain low in an international comparison.
The state's authorities will remain committed to keeping expenditure growth under control, as demonstrated over the past years.	Upper Austria has a strong liquidity position due to its well-established access to long- and short-term financing at the national debt management office.

The strength of Upper Austria's manufacturing-focused economy and the generally very supportive institutional framework for Austrian states underpin the ratings. Although recession in Austria dampened states' tax revenue growth over 2024-2025, the country exited recession in the second half of 2025. This will support growth of Upper Austria's shared tax revenue over 2026-2028.

We believe Upper Austria's authorities will keep operating expenditure growth under control, leading to only moderate budget deficits and debt built-up. Growing health care and social spending will continue to put pressure on budgetary performance. However, Upper Austria's commitment to budgetary discipline, exemplified by its self-imposed debt ceiling, should keep

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budgetary performance stable. Still, an ambitious investment agenda and a need to support debt service on legacy financings based on loan receivables sales with budgetary funds imply moderate deficits after capital accounts and a limited volume of additional borrowings.

The state continues to benefit from an overall strong liquidity position. Despite declining cash buffers, Upper Austria maintains uninterrupted access to short- and long-term funding via the Austrian federal debt management office OeBFA.

Outlook

The stable outlook reflects our expectation that, amid macroeconomic and budgetary challenges, Upper Austria's management will make prudent fiscal decisions that keep deficits after capital accounts contained. We anticipate tax-supported debt will remain broadly stable. This is because the anticipated increase in direct debt will be partly used to reduce the outstanding balance of past loan receivables sales--which we already consolidate as borrowing--and is further offset by revenue growth.

Downside scenario

We could consider a negative rating action if Upper Austria's budgetary performance falls materially short of our base-case projections. This could stem from prolonged adverse macroeconomic conditions that further constrain tax revenue, or insufficient control over expenditure growth and cash outflows. Elevated spending, amid weak revenue, could indicate less prudent financial management and give way to a more material increase of the state's debt burden over time than currently anticipated.

Upside scenario

A positive rating action would depend on Upper Austria's budgetary performance exceeding our current projections for a sustained period, while the state keeps its debt low and bolsters liquidity.

Additionally, any positive rating action would be contingent upon a positive rating action on Austria (AA+/Stable/A-1+). We currently rate both Austria and Upper Austria at the same level, and we believe the state does not meet the conditions that would allow us to rate it higher than the sovereign.

Rationale

Our ratings are underpinned by Austria's well-balanced institutional framework for local and regional governments and wealthy economy, as well as Upper Austria's highly industrialized economy and prudent management practices. Despite negative real GDP growth at the national level over 2023-2024, Upper Austria has maintained a sound budgetary performance and low debt. Although risks to Austria's macroeconomic prospects remain pertinent, Austria emerged from a two-year recession in the second half of 2025, which will support growth of Upper Austria's shared tax revenue in the future. At the same time, strain on operating costs, sizable infrastructure projects, and a need to support debt service on legacy financings based on loan receivables sales with budgetary funds will keep fiscal pressure high over the forecast horizon through 2028.

Legally defined access to funding from Austria's national debt management office OeBFA underlies Upper Austria's strong liquidity position. This is the case even though the state's cash

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holdings decreased further in 2025 and it does not maintain any committed credit lines with commercial banks.

Despite continuing macroeconomic uncertainties, Upper Austria's management maintains expenditure restraint

Like its national peers, Upper Austria derives almost 40% of its revenue from shared taxes, with value-added and payroll tax being the most relevant. Almost all taxes in Austria are collected nationally, then the states' share is distributed according to the relative population. Taxes are highly correlated with nominal economic growth, meaning Austria's recession over 2023-2024 markedly curbed states' revenue expansion. Positively, Austria exited its two-year recession in the second half of 2025, with a modest 0.6% GDP expansion for the full year. We anticipate a slight pickup in growth to 0.75% for 2026, according to our most recent base-case assumptions. Despite continuing macroeconomic risks associated with geopolitical volatility, the anticipated recovery should further improve the state's revenue dynamics. In any case, with an anticipated local GDP per capita of almost €57,000 (about \$65,500) in 2026, Upper Austria benefits from a very wealthy local and national economy in an international comparison.

Overall, we regard the institutional framework in which Austrian states operate as very predictable and well balanced. The last recalibration of the national fiscal equalization scheme, in effect since 2024, provides Upper Austria with about €350 million of additional funds annually, though they are earmarked for spending on health, long-term care, and childcare, as well as climate-related investments. We understand these receipts largely finance correspondingly higher expenditure in the specified areas and thus have only limited net impact on performance. Given an ongoing EU excessive deficit procedure, we currently see limited potential for additional central government support measures for Austrian states.

Upper Austria's financial management has maintained strict expenditure control over the past several years, despite challenges. For 2025, the state's management imposed a budget freeze on 1% of compulsory and 10% of voluntary expenditure, though the latter was partly relaxed in late 2025 amid stronger-than-expected tax revenue growth. We understand that a similar freeze on 10% of voluntary expenditure has been included in the state's budget for 2026. Given successful cost-containment efforts, Upper Austria's state finances remain relatively unaffected by the recently concluded renegotiation of Austria's internal fiscal stability pact, which implies immediate consolidation needs for most other Austrian states from 2026 onward. Notably, Upper Austria additionally operates under its own internally imposed debt ceiling, which limits budgetary debt to 25% of the state's total revenue.

We anticipate modest deficits after capital accounts and only a moderate increase in tax-supported debt

Preliminary numbers for 2025 suggest Upper Austria posted a solid operating surplus higher than 6% of adjusted operating revenue and only a modest deficit after capital accounts, largely in line with its 2024 results. We expect Upper Austria's budgetary performance to remain stable over our forecast horizon, with Austria's modest economic recovery supporting previously subdued tax-revenue growth. We also project operating expenditure growth to slow down over that period, driven by Austrian states' adoption of a revised wage settlement for civil servants, which will delay previously planned wage increases. That said, more structural factors, such as increased health care spending and social transfers, will keep pushing Upper Austria's operating expenditure upward.

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The state's various investment frameworks, such as the "Upper Austria Plan" and recently introduced "Impulse 26," will similarly keep capital spending elevated but, in our view, under control. Work on the largest project--the construction of a new light rail system in and around the state's capital Linz--as well as the acquisition of related tram trains, commenced in 2025. With a total estimated cost of over €1 billion, the project will be implemented over several years via a debt-funded subsidiary, but 50% of the cost will be borne by the government of Austria and by Linz, rather than Upper Austria. We understand that Upper Austria is in active negotiations with the European Investment Bank for a long-term funding arrangement, though the initial disbursement is unlikely before 2027.

At the same time, shortfalls in a series of legacy financing transactions, namely the sale of housing loan receivables before 2018, continue to weigh on Upper Austria's cash flow. During record-low interest rates before 2022, borrowers under these loans often refinanced elsewhere and then prepaid their obligations; in return, Upper Austria guarantees the originally agreed debt-service schedule to banks that purchased the loan receivables from the state. Accordingly, the state now needs to use budgetary funds to supplement insufficient cash flows from the surviving loans. At the end of 2025, €1.59 billion of sold receivables were still outstanding, and we understand that, over the past year, actual debt-service receipts under these loans were substantially short of the amount to be passed on to purchasing banks, putting pressure on Upper Austria's net borrowing needs. Because these transactions consume material budgetary resources, we reflect their residual balance in our wider tax-supported debt figure. That said, a part of Upper Austria's future issuance of direct debt will then simply redeem sold housing loans but not increase our consolidated debt figure.

Overall, we expect Upper Austria's tax-supported debt to increase through 2028 but remain comparatively low, at slightly more than 40% of consolidated operating revenue. For the first time since 2021, the state's net borrowings were positive in 2025, amounting to €250 million. Accordingly, Upper Austria's directly issued budgetary debt rose to €1.44 billion, consisting entirely of long-term borrowings from Austria's national debt management office OeBFA. All this debt is denominated in euros and carries a fixed interest rate. The debt portfolio's weighted-average term is almost eight years and interest costs average only 0.1% of operating revenue. To calculate our consolidated tax-supported debt figure for 2025, we add to Upper Austria's directly issued budgetary debt the €1.59 billion of sold housing loan receivables, an estimated €622 million of guaranteed debt owed by budget-dependent entities and projects, and the €140 million present value of long-term leases.

Upper Austria's exposure to contingent liabilities is low, in our view. We still identify majority-owned local lender **Oberoesterreichische Landesbank** AG (A/Stable/A-1) and utility company **Energie AG Oberoesterreich** (A/Stable/--) as potential sources of risk. This is even though both are profitable and have not required state support in the recent past. Furthermore, we estimate that there are close to €1.4 billion of state guarantees for loans to entities focused on social housing and similar activities. For all three identified contingent liabilities, we view the likelihood of risks materializing as low.

Upper Austria's liquidity position is primarily determined by its access to financing from Austria's national debt management office OeBFA and, in our view, remains strong as a result. This is although the state does not maintain any committed credit lines with commercial banks and its cash holdings have decreased significantly over the past few years, given rising financing needs. In our view, Upper Austria's structurally lower cash balance is largely compensated by its ability to source refinancing for all maturing debt and deficits in line with the inner-Austrian stability pact, as well as short-term cash from OeBFA. Access to long-term commercial bank funding, for instance via Oberoesterreichische Landesbank, and to the capital markets remain currently

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unused but, in our view, are realistic alternatives. We understand that Upper Austria made extensive use of short-term funding opportunities via OeBFA during the first quarter of 2025 and, later in the year, via Oberoesterreichische Landesbank.

State of Upper Austria Selected Indicators

Mil. EUR	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	8,538	8,898	9,346	9,515	9,786	10,019
Operating expenditure	7,701	8,289	8,739	8,974	9,191	9,389
Operating balance	837	609	607	541	595	629
Operating balance (% of operating revenue)	9.8	6.9	6.5	5.7	6.1	6.3
Capital revenue	28	30	34	26	26	26
Capital expenditure	781	805	871	818	874	831
Balance after capital accounts	84	(166)	(231)	(251)	(253)	(175)
Balance after capital accounts (% of total revenue)	1.0	(1.9)	(2.5)	(2.6)	(2.6)	(1.7)
Debt repaid	260	639	251	121	197	106
Gross borrowings	260	639	501	446	525	295
Balance after borrowings	84	(166)	19	75	75	75
Direct debt (outstanding at year-end)	1,328	1,339	1,582	1,908	2,236	2,425
Direct debt (% of operating revenue)	15.6	15.0	16.9	20.1	22.9	24.2
Tax-supported debt (outstanding at year-end)	3,918	3,742	3,791	3,967	4,245	4,284
Tax-supported debt (% of consolidated operating revenue)	45.1	41.4	39.7	40.9	42.6	42.1
Interest (% of operating revenue)	0.1	0.1	0.1	0.2	0.2	0.2
Local GDP per capita (\$)	57,525.2	58,233.1	62,834.2	65,514.9	70,035.6	72,656.6
National GDP per capita (\$)	56,748.9	58,392.3	63,005.9	65,694.0	70,227.0	72,855.2

The data and ratios above result in part from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. The main sources are the financial statements and budgets, as provided by the issuer. bc--Base case reflects S&P Global Ratings' expectations of the most likely scenario. EUR--euro. \$--U.S. dollar.

State of Upper Austria--Rating Component Scores

Key rating factors	Scores
Institutional framework	2
Economy	1
Financial management	1
Budgetary performance	2
Liquidity	2
Debt burden	2
Stand-alone credit profile	aa+
Issuer credit rating	AA+

S&P Global Ratings bases its ratings on non-U.S. local and regional governments (LRGs) on the six main rating factors in this table. In the "**Methodology For Rating Local And Regional Governments Outside Of The U.S.**," published on July 15, 2019, we explain the steps we follow to derive the global scale foreign currency rating on each LRG. The institutional framework is assessed on a six-point scale: 1 is the strongest and 6 the weakest score. Our assessments of economy, financial

management, budgetary performance, liquidity, and debt burden are on a five-point scale, with 1 being the strongest score and 5 the weakest.

Key Sovereign Statistics

- [Sovereign Risk Indicators](http://www.spratings.com/sri), April 13, 2026. An interactive version is available at <http://www.spratings.com/sri>

Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S.](#), July 15, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Economic Outlook Europe Q2 2026: Global Shock Leaves Recovery Uncertain](#), March 25, 2026
- [Four Austrian Banks Downgraded On Increased Economic Risks](#), March 25, 2026
- [Austria](#), Feb. 6, 2026
- [Austria's New Stability Pact Tightens The Screws On State Budgets](#), Jan. 29, 2026

Ratings Detail (as of May 11, 2026)*

Upper Austria (State of)

Issuer Credit Rating	AA+/Stable/A-1+
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Issuer Credit Ratings History

20-May-2022	AA+/Stable/A-1+
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20-Nov-2020	AA+/Negative/A-1+
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08-Jun-2018	AA+/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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