

Austria

Since the COVID-19 pandemic took hold in Europe in spring 2020, the Austrian economy has been largely driven by infection waves and related containment measures adopted by the government. After a steep slump in 2020 as a whole (−6.5%), the economy recovered quickly in 2021 (+4.6%); by mid-2021, economic activity in Austria had already reached pre-pandemic levels. The war in Ukraine and the uncertainty regarding its further course has dampened the growth outlook, however. High energy prices have fueled inflation and affected the purchasing power of households. Furthermore, Germany, Austria's main trading partner, is expected to enter into a recession in 2023. A cut in Russian gas supplies to Austria poses a major downside risk to growth.

Financial assets held by households totaled €806.1 billion or 198.5% of GDP in 2021. The household sector's debt ratio stood at 52.4% of GDP in the first quarter of 2022, while corporate debt in Austria equaled 99.1% of GDP in the first quarter of 2022. Both indicators were below the euro area average.

Several micro- and macroprudential measures as well as banks' corresponding efforts have contributed to the high resilience of the Austrian banking system. The measures include (i) the Austrian sustainability package aiming at strengthening the local, stable funding of foreign subsidiaries, (ii) micro- and macroprudential capital buffers, i.e. the systemic risk buffer, which also explicitly targets risks in CESEE including Russia, and the O-SII buffer, as well as (iii) borrower-based measures to address systemic risk from real estate financing (in form of an own regulation targeting at new residential mortgages, see below in detail).

In 2021, the Austrian banking sector's aggregated operating profit increased by 10% year on year, and risk provisioning decreased by about 60%, both reflecting a strong recovery. Profits totaled EUR 6.1 bn (+66% year on year). While 2021 was a bounce-back year, in 2022 and 2023, the Austrian banking sector's profitability is facing new and continuing challenges associated with the Russian invasion of Ukraine, high inflation, energy shortages as well as remaining pandemic-related uncertainties and structural efficiency challenges. In the first half of 2022, operating income rose by more than one-tenth year on year, supported by stronger net interest income and dynamic growth in fees and commissions, but operating costs rose much quicker, mainly due to impairments on participations. Consequently, operating profit declined by 17%. But despite an increase in risk provisioning, the banking sector posted a half-year profit of €3.8 billion on the back of several one-off effects (such as the increase of extraordinary profits and earnings from discontinued operations). The consolidated NPL ratio of Austrian banks remained at a historic low of 1.8% as of half-year 2022.

The economic recovery in Austria led to an increase in bank lending in 2021. The demand for corporate loans was driven by the need for financing for inventories and working capital. As a result, corporate loans grew by 10.8% in July 2022 (year on year). Loans to households expanded by 5.4% mainly due to continued demand for housing loans (+6.9%).

The Austrian banking network consists of 520 banks with some 3,420 branches holding €1,197.2 billion in total assets on a consolidated basis. The banking sector has more than doubled its capitalization and hence increased its resilience since the time before the global financial crisis in 2008–09 and thus increased its resilience. As of June 2022, the CET1 ratio of Austrian banks stood at 15.8%, which means it had lost ground compared to the EU average. Hence, the careful handling of profit distributions is still warranted as uncertainties prevail.

The Austrian Financial Market Authority (FMA) has issued a new regulation for sustainable lending standards for residential real estate financing. It includes upper limits for loan-to-value ratios (90%), debt service-to-income ratios (40%) and loan maturities (35 years) – subject to exemptions that would give credit institutions adequate operational flexibility. As of August 1, 2022, these new measures apply to all new mortgage lending to households above €50,000.

In September 2022 the Austrian Financial Market Stability Board (FMSB) decided that macroprudential capital buffers (i.e. the systemic risk buffer (SyRB) and the other systemically important institution (O-SII) buffer) should be increased by 50 bp as of December 30, 2022, at maximum (phase-in by 25 bp p.a.) for 12 banks.