

MOODY'S CONFIRMS AUSTRIA'S AAA RATING

Fekter's comments following Moody's rating: "We have to improve Austria's position as a business location."

Press Release, 23 December 2011

On 23 December 2011, the US rating agency Moody's once again awarded its top grade of "AAA" to the Republic of Austria and confirmed its business outlook as "stable". The reasons given are the economic power of the Austrian domestic economy, which enjoys above-average growth levels and which has a skilled workforce and a competitive export sector. Moody's also referred to high average levels of income in Austria and the low levels of unemployment here.

"All in all, the rating Moody's has given to the Republic of Austria was favourable in terms of the overall situation of the country, but at the same time, Moody's evaluation contains warnings and critical remarks that need to be given particular attention. This favourable rating does not mean that we should now rest on our laurels", Finance Minister Dr. Maria Fekter said in respect of the evaluation by the rating agency. In her view, the most important point is to improve Austria's standing as a prime business location, in order to maintain the willingness of investors to invest in Austria over the medium term. "These debates on special taxation of high net worth individuals and corporate group taxation are not exactly encouraging to investors. Issues such as this can come back to bite us sooner than we think", Fekter said.

And, she said, factors such as Austria's attractiveness as a business location will have to be taken more into account in the context of plans to implement a debt brake. "The concerns are not that the super-rich will take these measures as a personal affront, rather, what we have to worry about is how investors will evaluate investment in Austrian jobs", Fekter noted. If Austria's standing as a business location and its reputation for protecting investment deteriorate, then medium-term investment decisions might no longer favour investing in Austria.

Fekter noted that Moody's reconfirmation of Austria's triple-A rating is a good first step towards obtaining competitive borrowing rates, and that our objective now is not to allow interest rates to diverge too widely from those in Germany. "If we keep the interest rate differential small enough, then Austria's refinancing costs next year will stay within manageable limits", Finance Minister Fekter stated.

In addition, she noted that the government needs to keep an eye on the stability of the banking sector and the associated high level of cost to the State. Moody's also takes a critical view of the early retirement situation. "Early retirement has to be made less attractive as an option, and the *de facto* pension age needs to be raised significantly", Dr. Fekter emphasised.

"We have to continue resolutely along the path we have embarked on, reducing Austria's deficit and gradually increasing Austria's standing as a prime business location. We also have to embrace the necessary structural reforms and secure Austria's position in the long term", Dr. Fekter stated in closing.