

Research Update:

Austrian State of Styria Outlook Revised To Stable On Resumed Operating Surpluses; 'AA/A-1+' Ratings Affirmed

September 4, 2026

Overview

- We project Styria will record marginal operating surpluses in 2026-2027, driven by a combination of resilient revenue growth and ongoing cost-saving measures.
- However, we think capital account deficits will persist, keeping borrowing requirements elevated through 2028 and debt levels approaching, but structurally below, 110% of operating revenue.
- As a result, we revised our outlook on Styria to stable and affirmed our 'AA/A-1+' long- and short-term ratings.

Rating Action

On Sept. 4, 2026, S&P Global Ratings affirmed its long- and short-term issuer credit ratings on the Austrian state of Styria at 'AA/A-1+'. At the same time, we revised the outlook to stable from negative.

Outlook

The stable outlook on the 'AA' rating reflects our view that Styria will display operating surpluses, albeit modest, and retain tax-supported debt below 120% of consolidated operating revenue over 2026-2028. We also think recovering revenue in the context of Austria's economic rebound and ongoing consolidation measures will reduce deficits after capital accounts and ensure sustained liquidity.

Downside scenario

We could lower the rating if Styria fails to contain expenditure growth, given still sluggish revenue performance and broader cost pressures. This would prevent deficits from gradually reducing as we expect and leave operating accounts highly vulnerable. In this scenario, debt could increase

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faster than forecast and refinancing and investment needs outpace liquidity sources longer than anticipated.

Upside scenario

We could raise the rating if we were to observe a sustained revenue improvement through higher transfers from the federal government or on the back of a strong economic recovery, while, at the same time, financial management intensified its consolidation path, counteracting the dynamic increase of expenditure. This could lead to sustained surpluses after capital accounts and could allow Styria to considerably reduce its debt burden.

Rationale

Styria benefits from Austria's well-balanced and supportive institutional framework for regional governments, which underpins the finances of all states and cushions the direct fiscal effects of regional downturns. While we think stabilizing Austrian economic growth will bolster Styria's tax revenue, macroeconomic risks persist as the economic recovery remains fragile.

Stronger-than-expected economic growth in 2025 led to budgetary results outperforming our prior forecast, helped both by solid revenue growth and spending restraint. We assume political leadership will uphold its commitment to fiscal consolidation and we anticipate that forthcoming measures will continue to gradually tighten fiscal policy and moderate expenditure growth. Consequently, we expect operating results will gradually improve and deficits after capital accounts will narrow over the medium term.

We expect Styria's tax-supported debt burden will increase and reach approximately 108% of consolidated operating revenue by 2028. Liquidity remains a key credit strength. Styria continues to benefit from exceptional access to funding via the Federal Debt Management Agency (Oesterreichische Bundesfinanzierungsagentur, OeBFA), which supports our overall rating assessment.

More stable economic growth and budgetary consolidation support budget recovery while fragility persists

Following a two-year period of economic contraction (2023-2024), the Austrian economy has shown signs of stabilizing. In 2025, real GDP growth was 0.85%, a notable improvement over our initially much weaker forecast. While downside risk remains notable, including weaker external demand from key trading partners, intensified global competition, and the potential escalation of protectionist measures, we project growth oscillating around 1% until 2029. The pillars of our growth forecast are a strengthening industrial sector, namely in capital goods--with improvements in competitiveness following a period of erosion--and resilient consumer spending. This underlying upward trend will remain supportive for Styria's revenue dynamics since taxes are highly correlated with nominal economic growth. This is the result of Austria's comprehensive fiscal equalization mechanism whereby the central government collects most taxes and redistributes them largely based on population. Reflecting its key features, we view the existing institutional framework for Austrian states as very predictable and well-balanced.

Styria's robust economic performance is reflected by estimated local GDP per capita of approximately €53,400 (about \$58,900) in 2026, which remains below the Austrian national average of €56,900 (about \$66,100) but is still very strong in an international comparison. Styria's unemployment rate was 6.4% at midyear 2026, marginally below the national average of 6.9%. Styria's manufacturing sector accounts for about 15% of Austria's total exports, exposing the

state to potential protectionist tariffs. Nonetheless, the fiscal equalization system partially shields the state from localized effects of trade disruptions for Styrian companies, but also transmits the impact of a nationwide slowdown through weaker shared tax receipts.

In response to weak budgetary outcomes and to comply with national deficit targets, Styria's government announced consolidation targeting up to €300 million in recurring annual savings in preparation for the 2026 budget. While the state has successfully implemented reforms in the past, we believe structural challenges limit the pace and scope of consolidation. To that effect, the 2026 final budget contained one-third of the stated goal with €100 million in savings, among others by curbing staff costs and reducing various social spending elements. We assume the 2027 budget will be prepared with similar savings targets and, consequently, we project modest savings sufficient to gradually improve operating accounts.

We anticipate high financing needs will be largely met via OeBFA

Styria posted a balanced operating account with a persisting capital deficit in 2025. Solid shared tax revenue and additional fiscal equalization transfers, combined with spending restraint, allowed the operating budget to turn positive again. Despite this improvement, deficits after investments remained at 2024 levels of about 9% of total revenue, on the back of rising capital expenditure.

We expect 2026 to show balanced operating accounts, with slowly improving surpluses over our forecast period of 2026-2028, and capital account deficits slowly shrinking to 6.1% of total revenue. This reflects both an economic rebound and notable countermeasures. While spending pressures from mandatory social and health care costs persist, a sharp rise in operating costs will moderate as inflation effects fade and savings measures are implemented across departments. Measures include, for example, hiring delays and reductions in discretionary spending. We forecast revenue growth throughout the projection period will recover slowly, while the federal government's own consolidation needs make additional ad hoc transfers improbable until the current fiscal equalization agreement expires in 2027.

Persistent capital deficits, on the back on elevated investment spending, will keep financing needs elevated. We project Styria's tax-supported debt will increase to about 108% of consolidated operating revenue by 2028, from 93% in 2025. We expect the state to continue to rely primarily on OeBFA for its borrowing requirements, benefiting from stable access to long-term, fixed-rate, and comparatively low-cost funding. Styria manages a pool of roughly €3 billion in housing loans financed directly from the state budget. A smaller portion of this portfolio, valued at about €225 million, has been sold to financial institutions. The state remains the ultimate guarantor of repayments, which directly flow through the budget until final settlement in 2036. We include this amount in Styria's tax-supported debt.

We continue to view Styria's contingent liabilities as low. The largest exposure remains €345 million of grandfathered guarantees on debt issued by its former state bank, alongside smaller items including the debt of the now 100% state-owned utility company Energie Steiermark. The debt at Energie Steiermark is not explicitly guaranteed by Styria, but we consider it to have an elevated likelihood of support in case of need.

We assess Styria's liquidity as exceptional, supported by its flexible access to OeBFA for both short- and long-term funding. Although cash holdings are modest, the state maintains €300 million of committed credit lines with four commercial banks and benefits from cash pooling arrangements with related entities, such as the state hospital company and state real estate company.

State of Styria Selected Indicators

Mil. EUR	2023	2024	2025	2026bc	2027bc	2028bc
Operating revenue	7,004	7,838	8,229	8,317	8,516	8,854
Operating expenditure	6,563	7,881	8,225	8,315	8,443	8,665
Operating balance	441	(43)	4	3	73	189
Operating balance (% of operating revenue)	6.3	(0.6)	0.1	0.0	0.9	2.1
Capital revenue	203	176	180	173	140	150
Capital expenditure	1,442	855	949	879	886	891
Balance after capital accounts	(798)	(723)	(765)	(703)	(673)	(552)
Balance after capital accounts (% of total revenue)	(11.1)	(9.0)	(9.1)	(8.3)	(7.8)	(6.1)
Debt repaid	285	289	283	289	190	245
Gross borrowings	1,176	940	1,261	1,015	890	830
Balance after borrowings	94	(73)	214	23	27	34
Direct debt (outstanding at year-end)	5,698	6,413	7,430	8,156	8,856	9,441
Direct debt (% of operating revenue)	81.4	81.8	90.3	98.1	104.0	106.6
Tax-supported debt (outstanding at year-end)	6,058	6,711	7,679	8,362	9,025	9,576
Tax-supported debt (% of consolidated operating revenue)	86.4	85.6	93.3	100.5	105.9	108.1
Interest (% of operating revenue)	1.2	1.4	1.4	1.8	2.2	2.4
Local GDP per capita (\$)	52,226.8	54,444.7	58,913.6	62,138.8	65,590.4	68,870.0
National GDP per capita (\$)	56,748.9	58,392.3	63,192.1	66,133.0	69,405.3	73,240.0

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 Styria Rating Component Scores

Key rating factors	Scores
Institutional framework	2
Economy	1
Financial management	2
Budgetary performance	3
Liquidity	1
Debt burden	3
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](https://www.spglobal.com/ratings/sri/), July 14, 2026. Interactive version available at <https://www.spglobal.com/ratings/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: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Research Update: Austria 'AA+/A-1+' Ratings Affirmed; Outlook Stable](#), Aug. 7, 2026
- [Credit Conditions Europe Q3 2026: Resilient Through Stormy Waters](#), June 25, 2026
- [Sustainability Insights: When Nature Sends The Bill: Austria's Disaster Fund Shields States From Rising Costs](#), May 21, 2026
- [German and Austrian LRGs: Local Trade Exposure Won't Dictate Tariffs' Effects On Regional Budgets](#), July 7, 2025
- [Austrian States Brief: Tax Shortfalls Increase Budgetary Pressures](#), March 3, 2025
- [Institutional Framework Assessment: Austrian States](#), Nov. 14, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List

Ratings Affirmed; Outlook Action		
	To	From
Styria (State of)		
Issuer Credit Rating	AA/Stable/A-1+	AA/Negative/A-1+

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