

# Republic of Ireland Rating Report



**AA-**  
POSITIVE  
OUTLOOK

## Credit strengths

- Wealthy, diversified and competitive economy
- Track record of fiscal discipline, favourable debt profile
- Strong institutional environment
- Euro-area membership

## Credit challenges

- Elevated public and private debt levels
- Strong dependence on multinational corporations
- External vulnerabilities as a small, open economy vulnerable to shocks

## Rating rationale:

**Wealthy, diversified and competitive economy:** Ireland benefits from its high wealth levels and competitive economy, supported by high value-added sectors such as pharmaceuticals and information and communication technology, which underpin the country's robust growth potential.

**Track record of fiscal consolidation:** A return to fiscal surpluses, the downward trend in general government debt as a share of GDP and modified Gross National Income, and a favourable debt profile support Ireland's rating.

**Strong institutional environment:** Ireland has a strong institutional framework, a favourable business environment attracting foreign investment and an effective rule of law.

**Euro-area member status:** Euro-area membership supports Ireland's high-growth economic model, helping attract and retain foreign investment, and it provides access to lenders of last resort for banks via the European Central Bank and sovereigns via the European Stability Mechanism.

**Rating challenges include:** i) elevated public debt levels compared to underlying economic activity; ii) strong dependence on multinational corporations, whose corporate tax contributions make up a significant portion of government revenues; and iii) vulnerability to sudden reversals due to shocks of domestic or international origin, given the small size and very open nature of the economy.

## Ireland's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency	Qualitative*	Final rating
	Weight	Indicative rating	Notches	Notches	
Domestic Economic Risk	35%	aaa	EUR [+1]	0	AA-
Public Finance Risk	20%	aaa		0	
External Economic Risk	10%	bb-		-3/3	
Financial Stability Risk	10%	aaa		-1/3	
ESG Risk	Environmental Factors	aa-		0	
	Social Factors	a-		-1/3	
	Governance Factors	aaa		0	
<b>Indicative outcome</b>	<b>aaa</b>		<b>-2</b>		
<b>Additional considerations</b>			<b>-1</b>		

Note: The qualitative scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. The reserve currency adjustment applies to currencies in the IMF's SDR basket. In addition, a one-notch negative adjustment is applied to capture distortions in Irish economic data that tend to overstate the performance of underlying fundamentals and credit metrics of Ireland in Scope's Core Variable Scorecard. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings

## Outlook and rating triggers

The Positive Outlook reflects our view that risks to the ratings are skewed to the upside over the next 12 to 18 months.

### Positive rating-change drivers

- Significantly strengthened debt sustainability, underpinned by sustained improvements in fiscal fundamentals
- Robust economic growth outlook over forecast horizon

### Negative rating-change drivers

- Significantly weaker growth outlook than expected
- Weaker fiscal discipline, leading to lower budget balances and a weaker debt trajectory over the medium term
- Risks in private sector and financial system increasing significantly

## Ratings and Outlook

### Foreign currency

Long-term issuer rating	AA-/Positive
Senior unsecured debt	AA-/Positive
Short-term issuer rating	S-1+/Stable

### Local currency

Long-term issuer rating	AA-/Positive
Senior unsecured debt	AA-/Positive
Short-term issuer rating	S-1+/Stable

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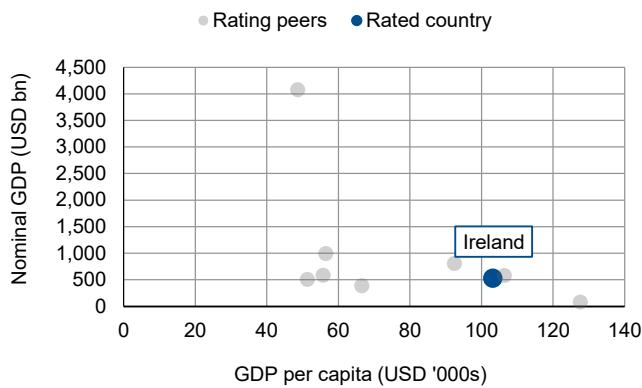
Bloomberg: RESP SCOP

### Domestic Economic Risk

#### Overview of Scope's qualitative assessments for Ireland's Domestic Economic Risk

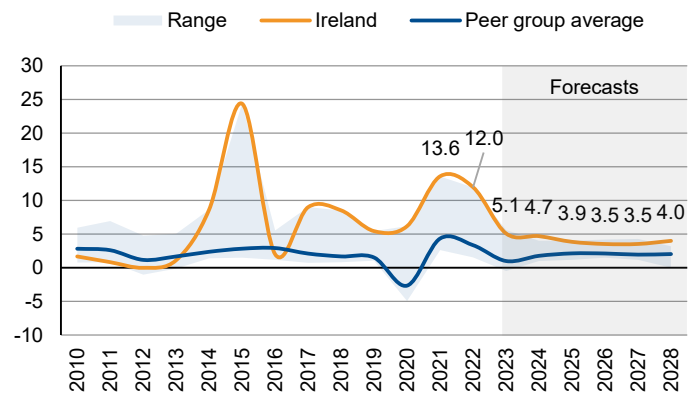
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential of the economy	Strong	+1/3	Strong growth potential, but some uncertainty around longer-term impact of global tax reforms
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macro-economic stability and sustainability	Weak	-1/3	Economic structure subject to high volatility; exposure to global crises; reduced Brexit risk

#### Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

#### Real GDP growth, %



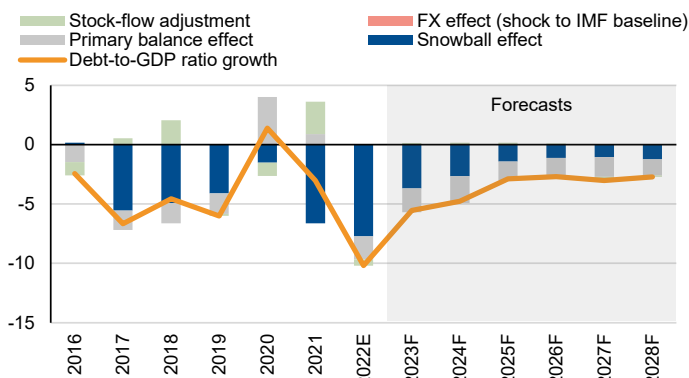
Source: IMF WEO, Scope Ratings forecasts

### Public Finance Risk

#### Overview of Scope's qualitative assessments for Ireland's Public Finance Risk

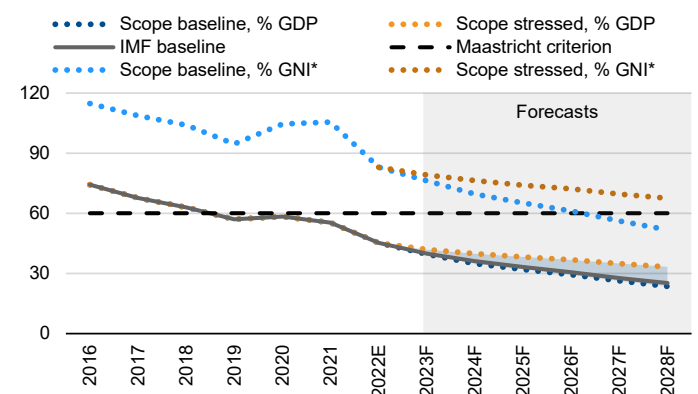
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Neutral	0	Prudent fiscal policies with appropriate fiscal framework; suitable fiscal responses to recent shocks
	Debt sustainability	Neutral	0	Declining public sector debt levels; debt trajectory vulnerable to adverse shocks
	Debt profile and market access	Neutral	0	Strong market access and debt structure, liquid cash reserves, access to lenders of last resort

#### Contributions to changes in debt levels, pp of GDP



Source: IMF WEO, Scope Ratings forecasts

#### Debt-to-GDP forecasts, % of GDP



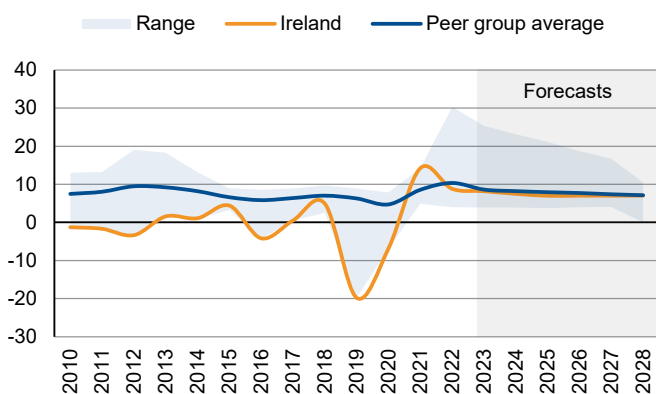
Source: IMF WEO, Scope Ratings forecasts

### External Economic Risk

#### Overview of Scope's qualitative assessments for Ireland's *External Economic Risk*

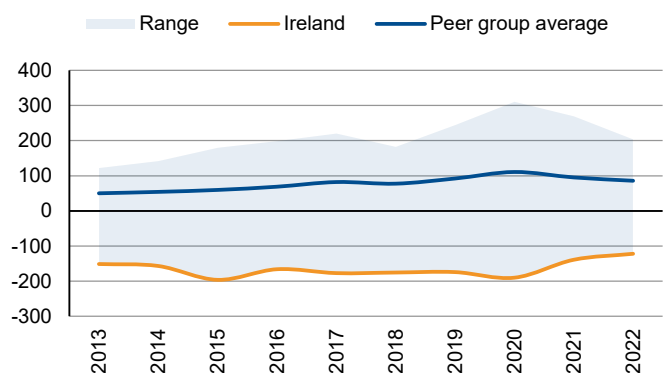
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Current account resilience	Weak	-1/3	Volatile current account due to contract manufacturing and intellectual property-related imports; FDI inflows supported by Brexit but longer-term risks from changes to global corporate tax rules
	External debt structure	Weak	-1/3	External debt levels declining but still higher than those of peers; significant short-term external debt
	Resilience to short-term external shocks	Weak	-1/3	Benefits from euro-area membership but exposed to global shocks

#### Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

#### Net international investment position (NIIP), % of GDP



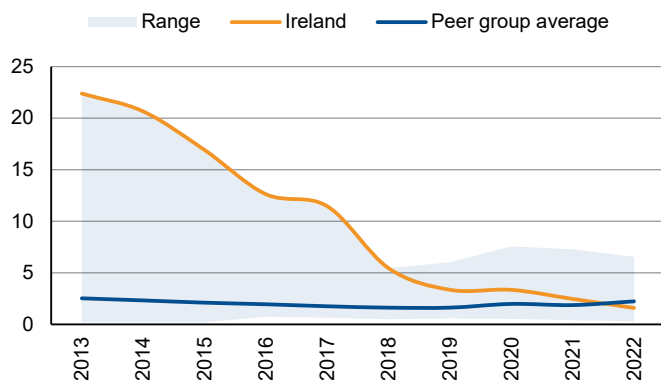
Source: IMF, Scope Ratings

### Financial Stability Risk

#### Overview of Scope's qualitative assessments for Ireland's *Financial Stability Risk*

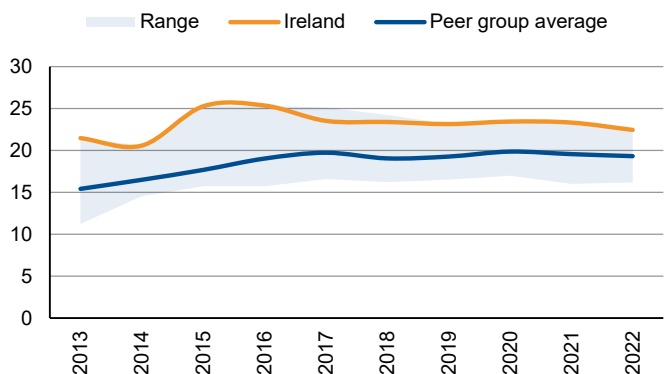
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Significantly improved banking-system resilience over last decade, but moderate profitability
	Banking sector oversight	Neutral	0	Oversight under the Central Bank of Ireland and the ECB as part of banking union
	Financial imbalances	Weak	-1/3	Elevated private sector debt, risks from global financial-market interconnections and increasing size of Irish financial system

#### Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

#### Tier 1 capital, % of risk-weighted assets



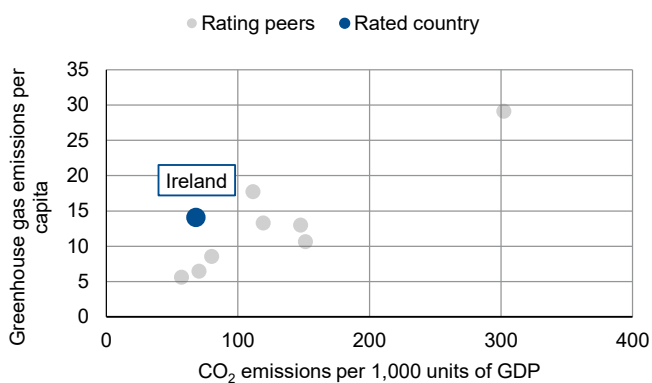
Source: IMF, Scope Ratings

### ESG risk

#### Overview of Scope's qualitative assessments for Ireland's ESG risk

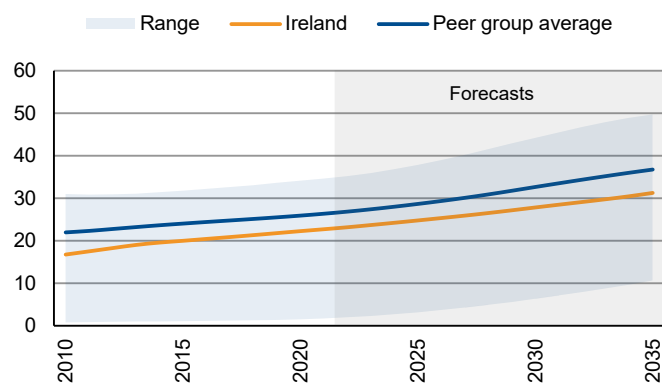
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Environmental factors	Neutral	0	Mixed record on environmental sustainability; however, ambitious climate action objectives
	Social factors	Weak	-1/3	Favourable demographics but moderate income inequality and risks of social exclusion
	Governance factors	Neutral	0	Stable political environment under the nation's first grand coalition

CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e



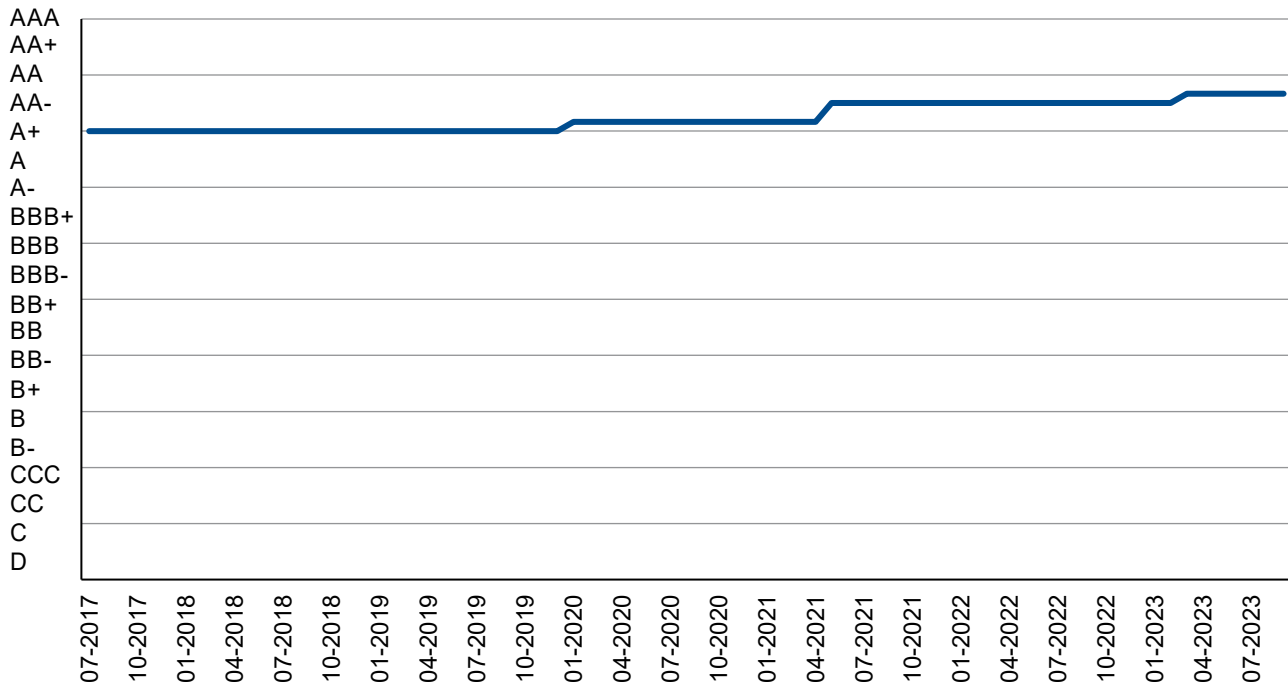
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

### Appendix I. Rating history



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

### Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, with Scope's core variable scorecard embedding a methodological reserve-currency adjustment.

Peer group*
Denmark
Germany
Luxembourg
Netherlands
Norway
Sweden
Switzerland

Publicly rated sovereigns only; the full sample may be larger.

### Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global peers and may therefore differ from national and other selective international statistics.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	79.0	80.7	85.2	100.1	103.2
	Nominal GDP, USD bn	IMF	385.9	399.4	425.5	504.5	529.7
	Real growth, %	IMF	8.5	5.4	6.2	13.6	12.0
	CPI inflation, %	IMF	0.7	0.9	-0.5	2.4	8.1
	Unemployment rate, %	WB	5.7	5.0	5.6	6.2	4.4
Public Finance	Public debt, % of GDP	IMF	63.0	57.0	58.4	55.4	45.2
	Net interest payment, % of revenue	IMF	6.2	5.1	4.5	3.3	3.1
	Primary balance, % of GDP	IMF	1.7	1.7	-4.0	-0.9	1.9
External Economic	Current-account balance, % of GDP	IMF	4.9	-19.8	-6.8	14.2	8.8
	Total reserves, months of imports	WB	0.1	0.1	0.1	0.2	0.2
	NIIP, % of GDP	IMF	-175.6	-174.3	-190.3	-139.2	-122.2
Financial Stability	NPL ratio, % of total loans	IMF	5.5	3.4	3.4	2.5	-
	Tier 1 ratio, % of risk-weighted assets	IMF	22.6	22.5	22.9	23.5	22.5
	Credit to the private sector, % of GDP	WB	40.8	36.0	32.4	-	-
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	95.1	86.1	72.7	68.2	-
	Income share of bottom 50%, %	WID	20.3	20.5	20.4	20.4	-
	Labour-force participation rate, %	WB	73.2	73.5	71.9	74.5	-
	Old-age dependency ratio, %	UN	21.3	21.8	22.3	22.7	23.2
	Composite governance indicators*	WB	1.4	1.3	1.4	1.4	-

\* Average of the six World Bank Worldwide Governance Indicators.

### Appendix IV. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 10 September 2023

22.3



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