

# Republic of Ireland

## Rating report

### 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:** Continued fiscal surpluses, downward-trending debt metrics and the long maturity of public debt support Ireland's rating. The establishment of the Future Ireland Fund and the Infrastructure, Climate and Nature Fund should further support fiscal policy in the medium- and long-term.

**Strong institutional environment:** Ireland has a strong institutional framework, a favourable business environment attracting foreign investment and an effective rule of law. We expect broad policy continuity, including after the general government election in March 2025.

**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:** i) high dependence on multinational corporations, whose corporate tax contributions make up a significant portion of government revenues; and ii) vulnerability to shocks of domestic or international origin, given the small size and very open nature of the economy.

### Figure 1: Ireland's sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating	
	Weight	Indicative rating	Notches	Notches	Notches		
Domestic economic risk	35%	aa	EUR	Ireland	0	AA	
Public finance risk	20%	aaa			1/3		
External economic risk	10%	bb-			- 3/3		
Financial stability risk	10%	aaa			- 1/3		
ESG risk	Environmental factors	5%	[+1]	[-0]	0		
	Social factors	7.5%			- 1/3		
	Governance factors	12.5%	aaa				0
<b>Sovereign Quantitative Model</b>			<b>aaa</b>		<b>-1</b>		
<b>Additional considerations</b>					<b>-1</b>		

\*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

\*\*The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

\*\*\*The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. 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. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

### Foreign currency

Long-term issuer rating/Outlook

AA/Stable

Senior unsecured debt

AA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

### Local currency

Long-term issuer rating/Outlook

AA/Stable

Senior unsecured debt

AA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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### Credit strengths and challenges

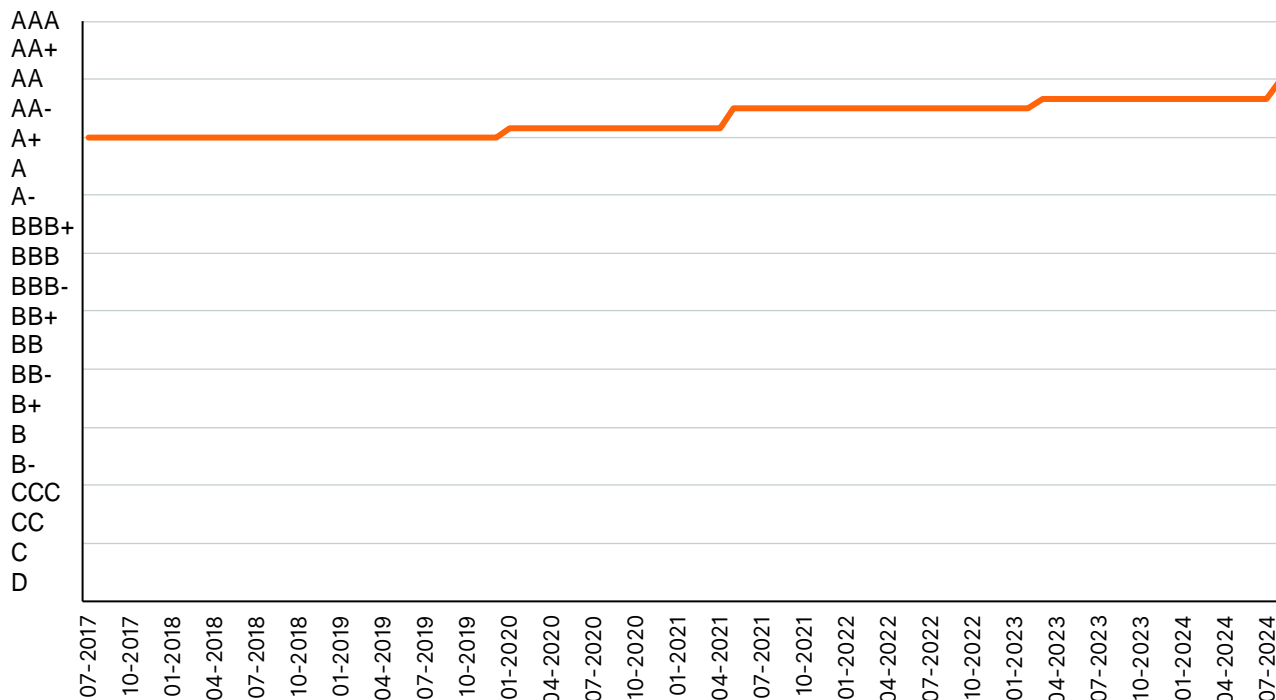
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>Wealthy, diversified and competitive economy</li> <li>Track record of fiscal discipline, favourable debt profile</li> <li>Strong institutional environment</li> <li>Euro-area membership</li> </ul>	<ul style="list-style-type: none"> <li>High dependence on multinational corporations</li> <li>External vulnerabilities as small open economy vulnerable to shocks</li> </ul>

### Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>Vulnerabilities to public finances reduce significantly, including a more diversified tax revenue base</li> <li>Vulnerabilities related to external and financial-system risks reduce substantially</li> </ul>	<ul style="list-style-type: none"> <li>Weaker fiscal outlook and/or reversal of declining trend in debt-to-GNI* ratio</li> <li>Substantially weaker-than-expected medium-term economic growth outlook</li> <li>Private-sector and financial-system risks increase meaningfully, impacting long-term macro-economic and financial stability</li> </ul>

Figure 2: Rating history<sup>1</sup>



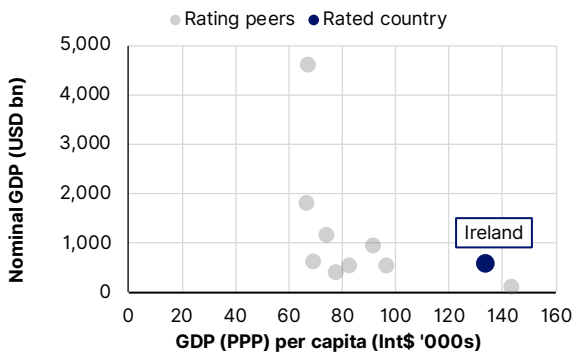
<sup>1</sup>Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

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

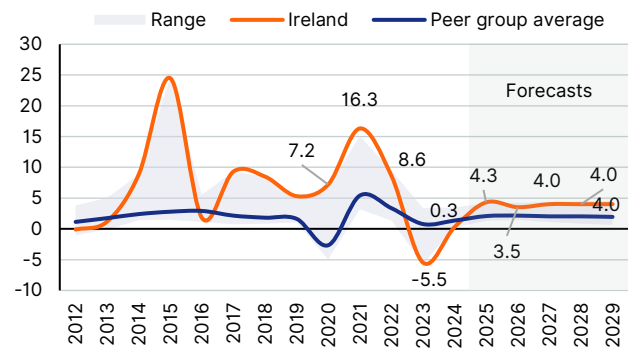
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa	Growth potential and outlook	Strong	+1/3	Strong growth potential, but some uncertainty around longer-term impact of global tax reforms
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central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

Figure 3: Nominal GDP and GDP per capita (2024F)



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

Figure 4: Real GDP growth, %



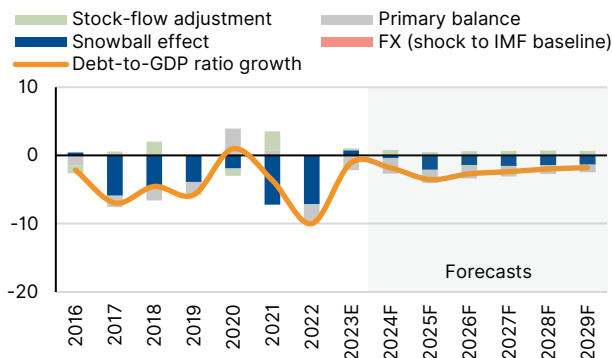
Source: IMF WEO, Central Statistics Office Ireland, Scope Ratings forecasts

## Public finance risk

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

SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Neutral	0	Prudent fiscal policies with self-imposed fiscal framework; setup of two long-term savings funds; suitable fiscal responses to recent shocks
	Long-term debt trajectory	Strong	+1/3	Declining public sector debt levels supported by high corporate tax revenues from multinational enterprises
	Debt profile and market access	Neutral	0	Strong market access and favourable debt structure, high liquid cash reserves

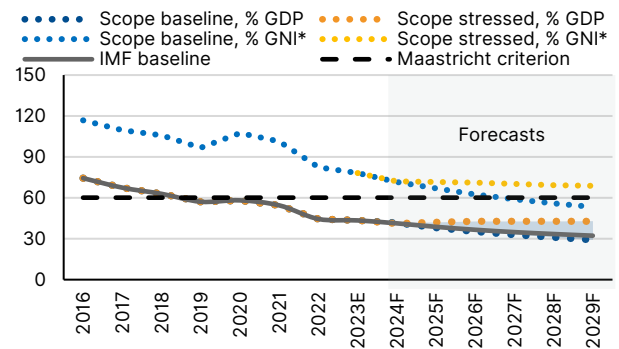
Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

\*Sovereign Quantitative Model.

Figure 6: Debt-to-GDP forecasts, % of GDP



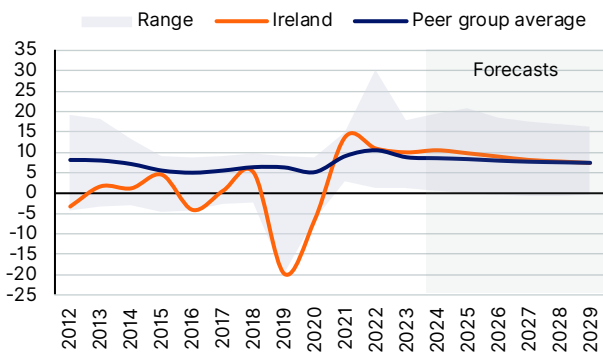
Source: IMF WEO, Scope Ratings forecasts

### External economic risk

#### Overview of Scope's assessments of Ireland's External Economic Risk

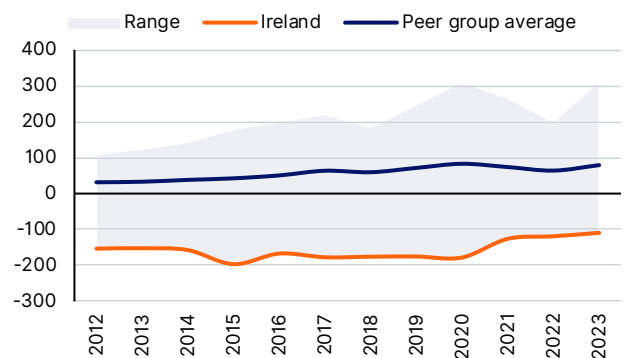
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Current account resilience	Weak	-1/3	Volatile current account due to contract manufacturing and intellectual property-related imports; attractive destination for foreign direct investment but longer-term risks from changes 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

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



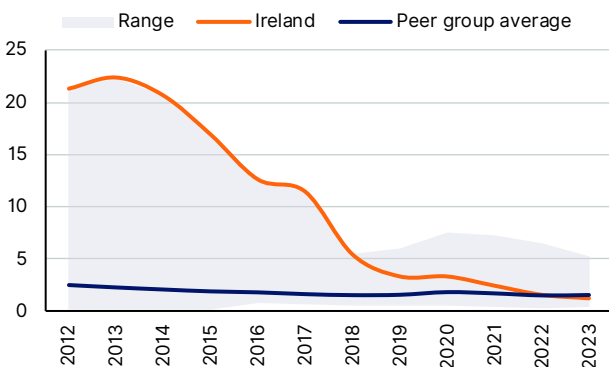
Source: IMF, Scope Ratings

### Financial stability risk

#### Overview of Scope's assessments of Ireland's Financial Stability Risk

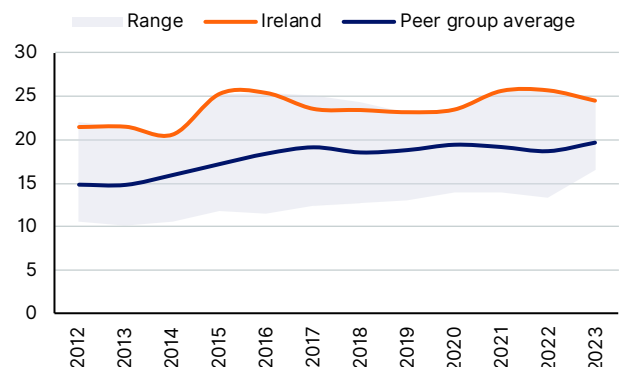
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Significantly improved banking-system resilience over last decade, elevated profitability expected to moderate
	Financial sector oversight and governance	Neutral	0	Oversight under 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 large size of Irish financial system

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



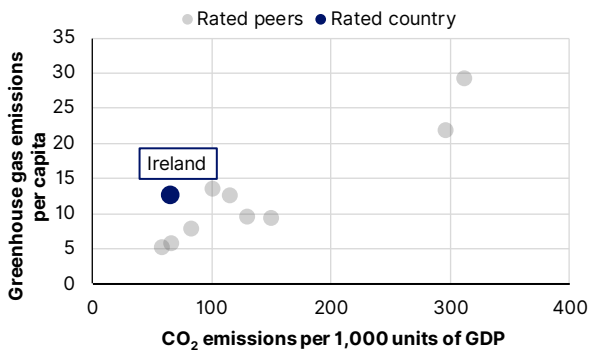
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Ireland's ESG Risk

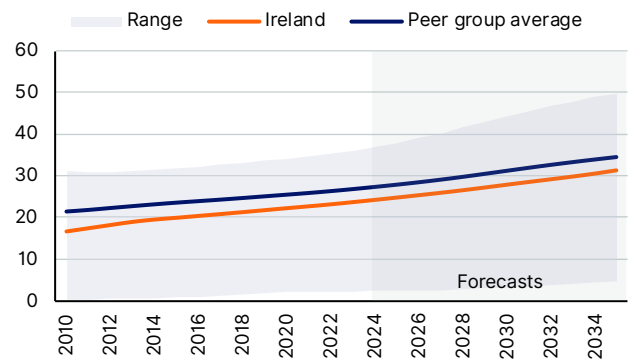
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Environmental factors	Neutral	0	Mixed record on environmental sustainability; however, ambitious climate action objectives
	Social factors	Weak	-1/3	Favourable demographics but moderate income inequality and risks of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

Figure 11: CO<sub>2</sub> emissions per capita/GDP (2022), mtCO<sub>2</sub>e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

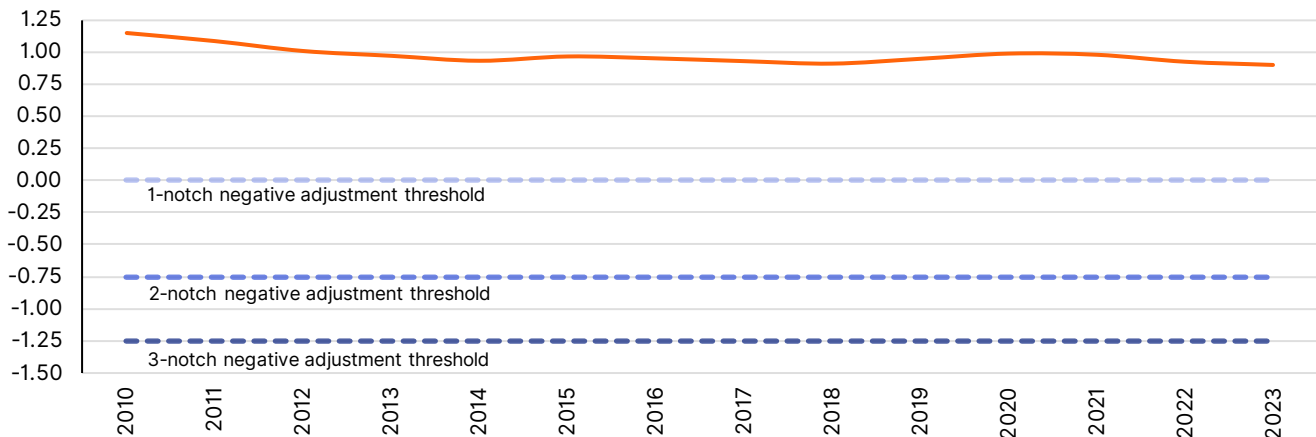
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, Ireland, 3-year moving average



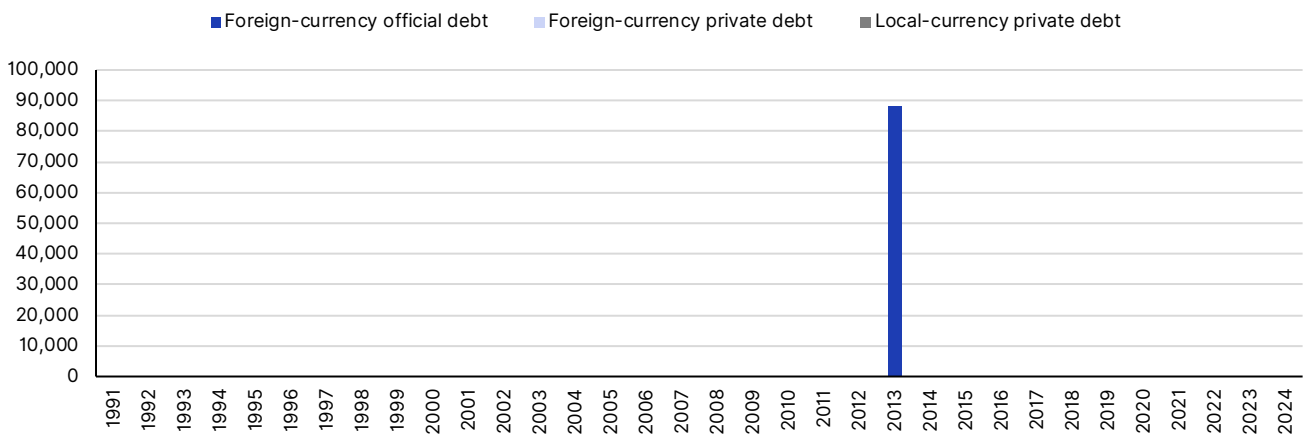
Source: WB, Scope Ratings

### Additional considerations

Some of Ireland’s standard economic variables, including GDP, provide an inaccurate picture of domestic economic activity in the country due to the large multinational enterprise sector. To better reflect underlying economic activity, authorities calculate modified figures. For example, modified GNI (or GNI\*) adjusts the GDP figures to exclude net profits of companies that have been sent abroad, as well as depreciation on intellectual property, depreciation on leased aircraft and the net income of redomiciled PLCs (i.e. a company that owns large subsidiary companies which are still established overseas). To account for the modified economic variables, which are not fully captured by Scope’s Sovereign Quantitative Model, one additional downwards notch is applied.

### Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope’s credit-rating definitions](#). Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

### Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope’s sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Denmark
Germany
Luxembourg
Netherlands
Norway
Sweden
Switzerland

\*Select publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

### Appendix III. Economic development and default indicators

IMF Development Classification	Advanced economy
5y USD CDS spread (bp) as of 22 August 2024	18.9

## Appendix IV. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope’s quantitative model, in line with Scope’s Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), Int\$ '000s	IMF	85.7	90.6	97.0	115.7	132.2	130.9
	Nominal GDP, USD bn	IMF	387	399	428	514	534	546
	Real growth, %	IMF	8.5	5.3	6.6	15.1	9.4	-3.2
	CPI inflation, %	IMF	0.7	0.9	-0.4	2.4	8.0	5.2
	Unemployment rate, %	WB	5.7	5.0	5.6	6.2	4.5	4.3
Public Finance	Public debt, % of GDP	IMF	62.9	57.1	58.1	54.4	44.4	43.3
	Net interest payment, % of government revenue	IMF	6.2	5.1	4.5	3.3	2.7	2.5
	Primary balance, % of GDP	IMF	1.7	1.7	-4.0	-0.8	2.3	2.1
External Economic	Current-account balance, % of GDP	IMF	4.9	-19.9	-6.5	13.7	10.8	9.9
	Total reserves, months of imports	WB	0.1	0.1	0.1	0.2	0.2	0.2
	NIIP, % of GDP	IMF	-175.1	-174.5	-177.4	-125.3	-118.2	-108.6
Financial Stability	NPL ratio, % of total loans	IMF	5.5	3.4	3.4	2.5	1.6	1.3
	Tier 1 ratio, % of risk-weighted assets	IMF	23.4	23.1	23.4	25.6	25.7	24.5
	Credit to the private sector, % of GDP	WB	40.7	36.8	32.9	27.4	26.2	26.2
ESG	CO <sub>2</sub> per EUR 1,000 of GDP, mtCO <sub>2</sub> e	EC	93.2	84.5	75.1	69.9	65.2	-
	Income share of bottom 50%, %	WID	19.7	19.6	18.7	16.6	16.7	-
	Labour-force participation rate, %	WB	73.0	73.3	71.9	74.5	76.8	-
	Old-age dependency ratio, %	UN	21.3	21.8	22.3	22.7	23.2	23.7
	Composite governance indicators*	WB	1.4	1.4	1.5	1.5	1.6	-
	Political stability, index	WB	1.0	1.0	1.0	0.8	0.9	-

\*Average of the following five World Bank Worldwide Governance Indicators: *Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality*.

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