

Republic of Ireland

This annex refers to the release of the monitoring note of 18 December 2020

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aa+
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Neutral
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Neutral
	Debt sustainability	Weak
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Weak
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Weak
	Social risks	Weak
	Institutional and political risks	Neutral
QS adjustment (notches)		-3
Additional considerations (notches)		-1
Final rating		A+ POS

Annex II: Selected indicators

	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD)	62,710	69,869.5	79,133	80,504	79,668.5	90,478	96,391
Real GDP, % change	1.7	9.4	9.3	5.9	-3.0	4.9	4.3
CPI, % change	-0.2	0.3	0.7	0.9	-0.2	0.6	1.9
Fiscal balance, % of GDP	-0.7	-0.3	0.1	0.4	-6.0	-2.7	-0.7
Government debt, % of GDP	74.2	67.4	62.9	57.3	63.7	61.3	59.2
Current account balance, % of GDP	-4.2	0.5	6.0	-11.4	5.0	5.5	5.4
Gross external debt, % of GDP	753.6	667.4	724.7	693.9	-	-	-

Source: Macrobond, IMF, Central Bank of Ireland, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification ²	AE
5y USD CDS spread (bps) as of 18 December 2020	17

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scooperatings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Ireland	December 2020	Assessment	Rationale
Peers*	Austria, Finland, Germany, Luxembourg, Netherlands, Denmark, Norway, Sweden, Switzerland		
Domestic economic risk	Growth potential	Neutral	Strong growth potential, but uncertainty about longer-term impact of Covid-19 shock
	Monetary policy framework	Neutral	ECB is a highly credible and effective central bank; appropriate central bank response to the 2020 global crisis
	Macro-economic stability & sustainability	Weak	Economic structure subject to high volatility; highly exposed to global crises, Brexit risk as well as changes in global tax policies
Public finance risk	Fiscal policy framework	Neutral	Prudent fiscal policies supported by EU and national fiscal frameworks; appropriate fiscal response to 2020 Covid-19 crisis
	Debt sustainability	Weak	Debt trajectory vulnerable to adverse shocks; underlying debt ratio much higher than debt-to-GDP
	Debt profile & market access	Neutral	Strong market access and debt structure, liquid cash reserves
External economic risk	Current account resilience	Weak	Very volatile current account due to contract manufacturing and intellectual property-related imports
	External debt structure	Weak	External debt levels much higher than peers'; significant short-term external debt
	Resilience to short-term shocks	Weak	Benefits from euro-area membership but most exposed sovereign to Brexit risks outside of the UK
Financial stability risk	Banking sector performance	Neutral	Improved banking-system resilience over last decade, but 2020 crisis weakens bank balance sheets
	Banking sector oversight	Neutral	Oversight under the Central Bank of Ireland and the ECB as part of Banking Union
	Financial imbalances	Weak	Elevated private-sector debt, risks from financial-market stresses and property-market risks
ESG risk	Environmental risks	Weak	Mixed record on environmental sustainability
	Social risks	Weak	Favourable demographics, but moderate income inequality and risks from social exclusion
	Institutional and political risks	Neutral	Stable political environment under the nation's first grand coalition

*Peers relate to sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.

Additional consideration: 1-notch negative adjustment to capture important distortions in Irish economic data that tend to overstate the performance of underlying fundamentals and credit metrics in Scope's Core Variable Scorecard.