Rating Object	Rating Information	
Republic of Ireland Long-term sovereign rating Foreign currency senior unsecured long-term debt Local currency senior unsecured long-term debt	**Assigned Ratings/Outlook:** AA /positive	**Type:** Monitoring Unsolicited
	Initial Rating Publication Date: 25-11-2016 **Rating Renewal:** 20-09-2024	**Rating Methodologies:** "Sovereign Ratings" "Rating Criteria and Definitions"

Rating Action

Creditreform Rating has raised its unsolicited long-term sovereign rating on the Republic of Ireland to "AA" from "AA-". Creditreform Rating has also raised Ireland's unsolicited ratings for foreign and local currency senior unsecured long-term debt to "AA" from "AA-". The outlook remains positive.

The rating upgrade on the Republic of Ireland reflects

(i) a robust economic growth trend on the back of repeated boosts from sectors dominated by multinational enterprises (MNEs) benefiting Ireland's competitiveness, as well as on the back of strong labor market developments and overall sound performance of the domestic economy;

(ii) repeated strong fiscal outturns currently driven by corporate tax revenue, supporting the downward path of the public debt ratio; these are flanked by prudent fiscal planning such as the envisaged build-up of the newly-created long-term savings funds, as well as by sustained positive developments in banking sector metrics; and

(iii) a recent tendency of key governance indicators to improve, further strengthening the high-quality institutional framework

Rating Outlook and Sensitivity

Our rating outlook on Ireland's long-term credit ratings is positive, reflecting our expectation of a favorable development of public finances in the medium term, accompanied by robust medium-term economic growth. With some tailwind from monetary policy easing, we expect the underlying, more domestically oriented, economic activity to contribute to this, supported by ongoing favorable labor market conditions and reduced private sector indebtedness.

We could raise the sovereign's rating in case of a stronger-than-expected growth trend despite the challenging geopolitical context and the agreed changes in the international corporate taxation regime, possibly enhanced by positive spillover effects from the MNE sector to the domestic economy. Upward pressure on the rating could also stem from a sustained positive course of fiscal metrics, possibly including a broadening of the tax base and swift progress with regard to building up significant fiscal buffers via state funds.

Conversely, a negative rating action could be prompted by a significant weakening of economic growth prospects, potentially due to a prolonged economic downturn. A material escalation of the wars in Ukraine and the Middle East may be part of such an adverse scenario. A significant slowdown in corporate tax revenue, possibly compounded by failing to sustainably broaden the tax base, which could also halt or possibly reverse the decrease in the public debt ratio, would likewise add to downward pressure on the rating or the outlook.

Rating Summary

Indicative result of the scoring model (preliminary sovereign rating, PSR) and final score after adjustments.

Risk factors	Weight (%)	Core indicators	Score	Preliminary Score	PSR	Adjust-ments	Final Score	Final Rating
Macroeconomic Performance	60 20 20	GDP per capita GDP trend growth GDP volatility	LR LR HR	S	AAA	+2	M	AA
Institutional Structure	20 80 *40* *20* *20* *20*	Monetary policy effectiveness Good governance *Government effectiveness* *Voice & accountability* *Control of corruption* *Rule of law*	S+ *S+* *LR* *S+* *S+*	S+		-1	LR	
Fiscal Sustainability	40 20* 40*	Change in government debt/GDP Government debt/GDP Interest payments/Revenue	LR S S	S+		+1	S	
Foreign Exposure	30* 20* 25 25	(Current account balance + net FDI)/GDP International reserves/Imports Sovereign external debt/Government debt Sovereign external debt/Total external debt	LR I I S+	S-		+1	M	
Currency Status								2

LR	S+	S	S-	M	E	I+	I	I-	HR
low risk		stable		moderate	elevated		impaired		high risk

) Risk weights for sovereigns with currency status=2
Adjustments with a positive sign indicate a negative impact, i.e., downward pressure on the rating and vice versa

Key Rating Drivers

1. High GDP per capita and a strong economic growth trend boosted by activity of Multinational Enterprises (MNEs), but also robust underlying domestic economic development as suggested by modified indicators with a stronger focus on domestically-oriented activity; labor market has shown resilience to recent economic shocks
2. Favorable medium-term growth outlook bolstered by Ireland's welcoming business environment and competitiveness; the ongoing adjustments of global corporate taxation could pose some constraints, as could a worsening of geoeconomic fragmentation, while elevated private indebtedness has further receded recently; any positive spill-over from the MNE sector to the domestic economy, in particular SMEs, remains to be monitored
3. Very strong institutional framework including the benefits associated with EU/EMU membership; forward-looking policymaking and high responsiveness to policy recommendations by relevant international institutions; following the upcoming legislative election, we expect ongoing domestic political stability, with more recent fiscal and economic policies broadly to be continued
4. Strong tax revenue remains the main driver for recent fiscal surpluses, set to fuel newly-created, long-term savings vehicles to drive the twin transition (green and digital), provide buffers against economic shocks, and address age-related spending; corporate tax revenue remains highly concentrated on a small number of multinational enterprises (MNEs), adding to risks pertaining to the ultimate effects of updated international corporate taxation rules and dependency on global trade dynamics; while the banking sector appears sound, there are some vulnerabilities related to the CRE market
5. Vulnerabilities linked to Ireland's status as a small open economy; continued large current account surpluses, to a significant extent driven by the MNE sector, mitigate external risks to some degree, as does the composition of the large negative net international investment position (NIIP)

Reasons for the Rating Decision and Latest Developments[1]

Macroeconomic Performance

Adjustment variables	Range	Rationale	Adjustments
Credit Development	up to 2	-	-
Economic resilience and flexibility	up to 4	*Welcoming business environment and high level of competitiveness*	-1
		Elevated level of private sector indebtedness	+1
		High degree of macro-financial volatility, largely in connection with MNE activity	+1
Qualitative overlay		*High reliance on MNE activity for strong growth, but apparently limited positive spillover effects to domestic economy*	+1
Net Adjustment			**+2**

Ireland's credit ratings are backed by its relatively high GDP per capita and its recent robust underlying growth trend, partly superseded by high volatility in real GDP on the back of MNE-related activity. The latter contributes to a significant degree of macro-financial volatility, causing challenges to identifying and putting into context more domestically-oriented developments. A very welcoming business environment adds to the strong macroeconomic profile, which is partly balanced by vulnerabilities to global economic downturns and supply chain disruptions, due to Ireland's status as a small open economy. Corporate debt-to-GDP compares as relatively high, but is partly distorted by intra-MNE flows, and the ratio has further receded. Concurrently, following a continued downward trend, household debt-to-disposable income edged up to 88.9% in Q1-24 (EA: 86.9%, ECB data).

Ireland's real GDP fell by 5.5% in 2023, following massive increases in 2021 and 2022 (+16.3% and +8.6%, respectively). Declining exports, primarily in the pharmaceutical sector following strong increases, but also regarding moderating exports of semiconductors and contract manufacturing, posed a pronounced drag last year. Drawing on the modified real Gross National Income (real GNI*), a measure which aims to exclude distorting effects of MNE activity and focus on domestically-oriented activity, Ireland's economy has weathered the successive shocks presented by the pandemic and the energy price shock relatively well. In 2023, GNI* increased by 5.0% (2022: 4.6%), with the average increase over the period from 2019-2023 coming to 4.6% p.a.

Growth of modified final domestic demand (MDD), a measure likewise better suited to capture underlying economic developments, moderated to 2.6% in 2023 (2022: 8.8%, CSO), reflecting some normalization in 2023 following the pandemic rebound, while high - albeit receding - inflation and adverse effects from monetary policy tightening weighed on domestic economic activity. As a case in point, modified gross domestic fixed capital formation fell by 4.4% in 2023.

[1] This rating update takes into account information available until 13 September 2024.

In the first half of the current year, real GDP increased q-o-q in Q1-24 but fell in the second quarter, following consecutive declines over 2023. The MDD measure decreased in Q2-24 by 0.5% q-o-q, having registered strong increases over the winter half of 2023/2024.

Looking ahead, sentiment data back expectations for ongoing economic growth. Private consumption should remain supported by the robust labor market and more moderate inflation rates, enabling increases in real income. HICP inflation has moderated further, standing at 1.1% as of Aug-24, having averaged 5.2% in 2023 (euro area average 2023: 5.4%, Eurostat). Fiscal measures concerning taxation to provide some relief to private households this year could additionally support private consumption.

Ireland's labor market overall appears tight, notwithstanding a slowdown in employment growth. Unemployment remains below the euro area level, posting at 4.3% in Aug-24, having averaged 4.3% in 2023 (euro area 2023: 6.6%), and real wages stand to see further increases. At 77.5% (2023), labor participation is slightly above the euro area level. Similarly, Ireland compares more favorably against the euro area as a whole when it comes to long-term unemployment and youth unemployment. Comparing further structural elements as regards the labor market, included in the European Commission's Social Scoreboard, such as equal opportunities and social protection, Ireland continues to give a relatively sound impression.

Investment, which remains affected by higher input costs and tighter financial conditions following the recent cycle of monetary policy hiking, looks set to benefit from the shifting monetary policy stance, with a path of gradual rate cuts remaining the most likely scenario, in our view. Residential construction could see some acceleration, bolstering modified domestic demand further out. That said, delivery of housing remains subject to some challenges, including the time span between obtaining planning permission to the completion of housing units, as suggested by the recent updated reports of the Housing Commission (May-24, Department of Housing, Local Government and Heritage).

While limited in size in terms of GNI*, EU grants via the Recovery and Resilience Facility (RRF) should add favorably to public investment. A first disbursement was made in Jul-24 (EUR 324mn), apart from pre-financing. Roughly half of Ireland's recently modified Recovery and Resilience Plan has been allocated to climate objectives, while roughly a third is intended for fostering the digitalization. Overall, Ireland could tap EUR 1.15bn in grants (0.2% of 2023 GDP, 0.4% of 2023 GNI*), subject to the fulfilment of agreed measures and reforms. Cohesion policy will add roughly EUR 989mn to this over the period of 2021-2027.

Real goods exports should recover from last year's weaker performance. Judging by (nominal) goods exports data for the first half of 2024, the pharmaceutical sector seems to be on a positive course. Similarly, with data only available for Q1-24, service exports, driven by the ICT sector, have seen significant increases year-on-year. Overall, we expect net exports to make a positive growth contribution this year, supported in part by robust economic development in the US, a key non-European trading partner. Assuming a gradually improving external environment, to which expected monetary policy easing both in Europe and elsewhere should contribute, net exports could add more strongly to growth in 2025.

Overall, given recently downward-revised GDP data for Q2-24, we forecast Ireland's economic output to decline by 1.5% this year and bounce back by 3.8% in 2025, acknowledging high uncertainty around these forecasts not least due to possible further data revisions. Apart from this, we see downside risks to our forecasts with a view to the wars in Ukraine and the Middle East, as well as increased geopolitical tension more generally.

Medium-term prospects remain bolstered by our assumption of an improving external environment, including positive effects from monetary policy easing, as well as Ireland's strong competitiveness. Illustrating Ireland's status as an innovative economy, again boosted by MNE activity, the country occupies rank 22 out of 132 considered for the UN's Global Innovation Index (2023). Similarly, Ireland boasts strong rankings as regards the IMD global competitiveness index, coming in fourth among the 67 countries included in the 2024 ranking. Ireland's global export market share was at 2.38% in 2023, remaining above its pre-pandemic level and significantly driven by the service sector, which captures a share of 5.22% of the global export market with regard to services.

Whilst constituting some moderation compared to its 10-year average to 2023 (8.1% p.a., AMECO data), Ireland's estimated potential growth, at 3.6% in 2024 and 3.3% in 2025, remains well above that of the euro area, partly buttressed by significantly higher productivity levels, which are likewise positively distorted by MNE operations. We view Ireland as generally well-positioned to benefit from ongoing global efforts to improve health and longevity and to drive digitalization forward, given relatively high GVA shares of the medical/pharmaceutical and ICT sectors. However, positive spillovers from these MNE-dominated sectors to the more domestically-oriented economy and the SME sector continue to appear limited and will have to be monitored. In addition to the significance of the economic performance of a limited number of multinationals, ultimate net effects from the implementation of new rules to global corporate taxation could pose some downside risks to the growth trend over the medium-to-longer term. Similarly, intensifying geopolitical fragmentation and a potentially less constructive international trade environment would likely hamper the medium-term growth outlook.

Institutional Structure

Adjustment variables	Range	Rationale	Adjustments
Payment record	up to 3	-	-
Program country / Institutions	up to 2	*Benefits linked to EU/EMU membership such as access to single market, large-scale trade agreements with third countries, reserve currency status of euro*	-1
Sustainability of monetary policy	up to 1	-	-
Political risk	up to 3	-	-
Quality of statistics	up to 1	-	-
Qualitative Overlay		-	-
Net Adjustment			**-1**

Ireland's credit rating is underpinned by its very high institutional quality, as reflected by the World Bank's Worldwide Governance Indicators (WGIs). Relative rankings with regard to the four indicators we consider to be particularly relevant when assessing the institutional quality of a sovereign, i.e., 'rule of law', 'government effectiveness', 'control of corruption' and 'voice and accountability' have improved, with Ireland ranking among the top twenty in each of these four categories in the reference year 2022. An update to the WGIs for the reference year 2023 is due this fall.

The advantages linked to EU/EMU membership, including access to broad and deep capital markets, the EU single market, and the reserve currency status of the euro further buttress Ireland's strong institutional set-up. A forward-looking policy approach is currently underscored by the establishment of long-term savings funds on the basis of repeated favorable fiscal outcomes. From our perception, this adds to sound policymaking as observed over a protracted period, including high responsiveness to policy recommendations by relevant international institutions in the years following the global financial crisis and the timely decision to join the international agreement on corporate taxation, which contributes to planning certainty.

Looking at the domestic political environment, Simon Harris of Fine Gael took over as prime minister in Apr-24 following the resignation of Leo Varadkar. A first-time coalition in this constellation, the government coalition of Fine Gael, Fianna Fáil and the Green Party has proved stable over its tenure. The next general election is to be held no later than March 2025.

Current polls see Fine Gael in the lead, polling at about 25%, followed by Fianna Fáil. Sinn Féin, which had led the polls for most of the last 12 months, appears to be losing some support of late. At this stage we assume ongoing domestic political stability, with more recent fiscal and economic policies to be broadly continued.

Adding to the favorable assessment of Ireland's exceptionally strong institutional set-up, reforms to further strengthen the justice system continue, as confirmed by the EC's rule of law report (Jul-24). When it comes to the prevention and combat of corruption, a recent GRECO report (addendum, Jan-24) attests to the ongoing implementation of recommendations mentioned in the Fourth Round evaluation report, concerning corruption prevention with respect to members of parliament, judges, and prosecutors.

Turning to recent developments pertaining to climate objectives, we note that Ireland's overall share of renewable energy remains well below the EU level, at 13.1% in the reference year 2022 compared to 23.0% in the EU overall, with a larger gap towards the EU level visible with regard to the share of renewable energy sources for heating/cooling (Eurostat data). In terms of greenhouse gas emissions per head, Ireland compares unfavorably against the EU level, counting as one of the EU members with the highest emission levels per head. Plans to improve on this count as per the Climate Action Plan 2024 include stepping up the capacity of onshore and offshore wind power, as well as solar power by 2030, and retrofitting half a million dwellings by that time. In parallel, the carbon tax continues to rise, with the latest increase implemented in May-24 for all fuel types.

Fiscal Sustainability

Adjustment variables	Range	Rationale	Adjustments
Fiscal policy framework	up to 3	*Track record of fiscal consolidation; repeated upside surprises regarding tax revenue create fiscal scope to address structural challenges*	-1
		High share of tax revenue subject to cyclical developments, adding to macro-financial volatility; high concentration of corporate tax revenue	+1
Foreign currency debt	up to 2	-	-
Contingent liabilities/government assets	up to 3	-	-
Demographics	up to 1	-	-
Qualitative Overlay		*Additional uncertainty over reliability of corporate tax revenue due to new international corporation taxation rules*	+1
Net Adjustment			**+1**

Fiscal sustainability risks are limited in our view. Following substantial decreases of its debt-to-GDP ratio over the last few years, we expect the public debt ratio to further decline, with tailwind from significant GDP increases boosted by MNE operations. However, we also expect further decreases of the debt-to-GNI* ratio. Strong fiscal performance on the back of vivid tax revenue looks set to remain an important driver for ongoing fiscal surpluses in the short-to-medium term. In the medium-to-longer term, the high share of corporate income tax (CIT) in total tax revenue, and the high concentration of CIT

on a limited number of MNEs, presents vulnerabilities, in addition to uncertainty over the ultimate net effect of the updated international corporate taxation regime. Against this backdrop, we assess the recent establishment of savings funds to meet the challenges from twin transition (green and digital), to build buffers against economic shocks and address prospectively rising age-related costs, as positive and as contributing to limiting fiscal risks overall.

Boosted by the strongly increasing tax revenue, largely linked to MNE activity, and significantly mounting social contributions amid robust labor market development, Ireland's general government balance remained in surplus in 2023, coming to 1.7% of GDP (2022: 1.7% of GDP). Expressed in terms of GNI*, the positive headline balance amounted to 2.9% in 2023. Corporate tax income rose by 5.3% in 2023 (NTMA, Jul-24), with total general government revenue ultimately up by 6.5% (Eurostat data). That said, total general government expenditure recorded a stronger increase (7.3% y-o-y), partly driven by higher public wages and public investment. Annual interest costs registered a moderate increase, by 1.9% y-o-y, coming to 2.7% of total revenue in 2023, an ongoing low level by a long-term comparison.

In the first half of 2024, gross voted expenditure was higher than in the first half of 2023, and roughly 3.3% ahead of target (Summer Economic Statement, SES, Jul-24). Public wages remain a driver, with the public sector pay deal foreseeing pay increases of 10.25% over a 2.5-year period 2024-2026. At the same time, the revenue side remains well-supported by tax receipts, with the income and corporate tax revenue remaining on a positive course, judging by cumulative Exchequer tax receipts over the period Jan-Jul-24 compared to the same period in the preceding year (Department of Finance, DoF, cash basis).

Looking ahead, and drawing on the SES Jul-24, an overall package of EUR 8.3bn is foreseen for the upcoming budget 2025, which is to be presented on 1 October, with EUR 6.9bn via expenditure measures, bolstering public services such as child care, social housing and additional staff in education, health and social protection. Taxation measures intended to shield workers from higher taxation arising from wage inflation could amount to EUR 1.4bn. Capital expenditure linked to key government policies under the National Development Plan (NDP) could come to EUR 14.5bn, which would represent an increase from the EUR 13.1bn envisaged for 2024. Ireland's NDP 2021-2030 foresees investment to the tune of EUR 165bn.

Overall, despite a possible repeated overrun of spending plans in 2024, as also echoed by the Fiscal Advisory council, we remain of the view that Ireland will continue to post fiscal surpluses this year and next. We forecast these to come to about 1.7% of GDP in 2024 and 1.8% of GDP in 2025, respectively. That said, the recent decision by the Court of Justice of the European Union (CJEU, Sep-24) regarding a corporate tax amount of approx. EUR 13bn to be paid by a large information technology company seems to imply an imminent favorable boost to Ireland's public finance metrics in the near term.

A medium-term fiscal plan will be published in the fall as per the new EU fiscal governance rules in force since Apr-24. According to April's Stability Program Update 2024, the government was expecting fiscal surpluses in the order of magnitude of up to 3% of GNI* to prevail until 2027. While with a view to the upcoming legislative election there is uncertainty over possible changes to the current spending rule, we expect an overall prudent approach to fiscal planning to ultimately prevail.

Prior to the abovementioned ECJ decision, the DoF forecast that 'windfall' or excess corporation tax receipts could amount to roughly EUR 11.2bn in 2024 and continue with that magnitude through to 2026. Initially boosted by expected favorable tax revenue, we understand that from 2024-2035 each year '0.8% of relevant GDP', an estimated EUR 4-6bn per year, is to be transferred from the Exchequer to the recently established Future Ireland Fund (Jun-24, FIF) and, from 2025-2030, EUR 2bn per year is to be transferred from the Exchequer into the Infrastructure, Climate and Nature Fund (Jun-24, ICNF). From the dissolution of the National Reserve Fund, the two new funds are to be seeded with a combined total amount of approx. EUR 6bn. Whilst we assess the buildup of buffers to meet fiscal challenges further out as positive, we nevertheless flag uncertainty over the breadth and reliability of the tax base and the derived ability to fuel the new savings funds as planned.

Measured against GDP, Ireland's general government debt fell to 43.7% of GDP in 2023, remaining well below the level in the euro area as a whole (2023: 88.6%), even when main distorting effects linked to MNE activity are excluded. General government debt as a percentage of GNI* decreased to 75.9% last year.

Given our expectation for continued headline surpluses and overall robust underlying growth, the debt-to-GDP ratio should continue to decrease this year and next, to 43.0% of GDP and 40.3% of GDP, acknowledging pronounced uncertainty linked to the described distorting factors of GDP data, and to some extent to the abovementioned CJEU decision on a corporate tax payment. Sound debt management and the favorable debt structure remain factors which further mitigate fiscal risks. The weighted average maturity of debt stood at 10.6 years as of Jul-24 (ECB data), one of the longest in the euro area. EFSM loan repayments are to continue, with EUR 0.8bn due this year. EFSF repayment is not to start until 2029.

Contingent liability risks associated with the banking sector overall continue to appear limited in our view, notwithstanding a higher interest rate environment over recent years and some vulnerabilities emanating from the CRE sector. Metrics gauging banks' capitalization level point to significant buffers, with the CET1 ratio standing at 19.6% as of Q1-24 (EU: 16.0%, EBA data). The countercyclical capital buffer was maintained at 1.5% in Aug-24 (Central Bank of Ireland, CBI). Judging by the NPL ratio (Q1-24: 1.6%, EBA data), the sector's asset quality has remained relatively high, comparing favorably against the EU level overall (Q1-24: 1.9%). We observe that stage 2 loans and advances at amortized cost (IFRS9, EBA data) remain higher than in the EU, but have improved y-o-y as of Q1-24. While being further reduced, the government still holds stakes in AIB and PTSB, coming to approx. 22% of AIB and 57% of PTSB (NTMA, Sep-24).

CRE exposures also remain to be monitored in the context of risks related to non-bank lenders specialized in real estate lending. More generally, there remain some pockets of vulnerability regarding non-bank financial intermediation, which also include investment funds, in light of possible spillover effects to other parts of the financial markets in case of shocks or disruptions.

Foreign Exposure

Adjustment variables	Range	Rationale	Adjustments
Sudden reversals in balance of payments	up to 2	*High net external debtor position (NIIP), albeit distorted by MNE activity and role of International Financial Services Center*	+1
FX regime	up to 2	-	-
Refinancing conditions	up to 2	-	-
Sustainability of external debt service	up to 2	-	-
Qualitative Overlay		-	-
Net Adjustment			**+1**

In light of the small and open nature of its economy, Ireland remains susceptible to disruptions to the global economic cycle. Due to the magnitude of global operations by MNEs located in Ireland, and the related financial flows, its balance of payment data and NIIP are subject to large swings, complicating the interpretation of underlying trends.

Ireland posted a third consecutive large headline current account surplus in 2023, amounting to 9.9% of GDP, notwithstanding a lower goods surplus (2023: 32.0% of GDP), which partly represented a normalization in the pharmaceutical sector. The service balance was in surplus last year to the tune of 1.5% of GDP.

Underscoring the distorting effects of the MNE operations, the modified current account balance, which excludes the impact of redomiciled companies, intellectual property products, and aircraft leasing companies, exhibits a markedly smaller surplus of 1.9% of GDP (roughly EUR 9.5bn in 2023, or 3.3% of nominal GNI*, CSO data). While lower than in the three preceding years, the surplus position of the modified indicator continues to point to a competitive stance of the Irish economy. We expect the headline current account balance to continue to display sizeable surpluses this year and next, with the modified indicator likely to exhibit positive balances as well.

Ireland's large negative NIIP remains one of the most pronounced among the EU members, although it likewise remains heavily influenced by MNE operations as well as the role of the International Financial Services Center. Ultimately, this suggests a lower level of risk linked to the external position than otherwise assumed for the domestic economy. Uncertainty related to net effects of global corporate taxation rules once fully implemented continues to persist.

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Ratings*

Long-term sovereign rating	AA /positive
Foreign currency senior unsecured long-term debt	AA /positive
Local currency senior unsecured long-term debt	AA /positive

*) Unsolicited

ESG Factors

Creditreform Rating has signed the ESG in credit risk and ratings statement formulated within the framework of the UN Principles for Responsible Investment (UN PRI). The rating agency is thus committed to taking environmental and social factors as well as aspects of corporate governance into account in a targeted manner when assessing creditworthiness.

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In the following, we explain how and to what degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor, and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and to Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down key principles of the impact of ESG factors on credit ratings.

ESG Factor Box

Environ-mental Quality	Ecological Risks	Ressource Management	Education	Health	Demo-graphics
Labor	Equality	Technology & Infrastructure	Safety & Security	**Judicial System**	**Quality of Public Services**
Integrity of Public Officials	Quality and Efficacy of Regulations	**Civil Liber-ties/ Political Participation**	Market Access	**Business Environment**	Data Transparency

Environment	Social	Governance	Highly significant	Significant	Less significant	Hardly significant

The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

Since indicators relating to the assessment of an economy's competitive stance by, e.g., the World Bank, the World Economic Forum, the European Commission, IMD Business School, and the World Intellectual Property Organization (UN) add further input to our rating or adjustments thereof, we judge the ESG factor 'Business Environment' as significant.

While Covid-19 may exert adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing on public finances. To be sure, we will follow ESG dynamics closely in this regard.

Economic Data

[in %, otherwise noted]	2018	2019	2020	2021	2022	2023	2024e
Macroeconomic Performance							
Real GDP growth	7.5	5.0	7.2	16.3	8.6	-5.5	-1.5
GDP per capita (PPP, USD)	85,698	90,571	96,992	115,727	132,219	130,915	133,895
Credit to the private sector/GDP	52.6	46.5	35.6	30.3	34.5	33.7	n/a
Unemployment rate	5.8	5.0	5.9	6.2	4.5	4.3	n/a
Real unit labor costs (index 2015=100)	95.9	94.1	90.1	84.7	79.6	86.4	88.2
World Competitiveness Ranking (rank)	12	7	12	13	11	2	4
Life expectancy at birth (years)	82.2	82.8	82.5	82.3	82.6	n/a	n/a
Institutional Structure							
WGI Rule of Law (score)	1.4	1.3	1.5	1.5	1.5	n/a	n/a
WGI Control of Corruption (score)	1.5	1.5	1.5	1.6	1.7	n/a	n/a
WGI Voice and Accountability (score)	1.3	1.3	1.4	1.4	1.4	n/a	n/a
WGI Government Effectiveness (score)	1.4	1.3	1.4	1.5	1.5	n/a	n/a
HICP inflation rate, y-o-y change	0.7	0.9	-0.5	2.4	8.1	5.2	1.8
GHG emissions (tons of CO_2 equivalent p.c.)	13.6	12.9	11.9	12.3	12.2	n/a	n/a
Default history (years since default)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fiscal Sustainability							
Fiscal balance/GDP	0.1	0.5	-5.0	-1.5	1.7	1.7	1.7
General government gross debt/GDP	62.9	57.1	58.1	54.4	44.4	43.7	43.0
Interest/revenue	6.4	5.2	4.6	3.3	2.9	2.7	n/a
Debt/revenue	247.3	230.3	261.6	237.7	194.0	178.9	n/a
Total residual maturity of debt securities (years)	9.9	10.3	10.9	10.8	10.8	10.5	n/a
Foreign exposure							
Current account balance/GDP	5.2	-19.9	-6.5	13.7	10.8	9.9	n/a
International reserves/imports	5.1	5.8	7.7	11.2	8.9	8.6	n/a
NIIP/GDP	-182.9	-193.6	-165.0	-130.9	-116.8	-105.9	n/a
External debt/GDP	730.3	727.9	689.9	654.9	560.9	558.0	n/a

Sources: IMF, World Bank, Eurostat, AMECO, ECB, CSO, own estimates

Appendix

Rating History

Event	Publication Date	Rating/Outlook
Initial Rating	25.11.2016	A /stable
Monitoring	24.11.2017	A /positive
Monitoring	26.10.2018	A+ /stable
Monitoring	08.11.2019	A+ /stable
Monitoring	23.10.2020	A+ /stable
Monitoring	15.10.2021	A+ /stable
Monitoring	07.10.2022	A+ /positive
Monitoring	22.09.2023	AA- /positive
Monitoring	20.09.2024	AA /positive

Regulatory Requirements

In 2011 Creditreform Rating AG (CRAG) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. Neither the rated sovereign nor a related third party participated in the credit rating process. Creditreform Rating AG had no access to the accounts, representatives, or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

Unsolicited Credit Rating

With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating was conducted on the basis of CRAG's "Sovereign Ratings" methodology (v1.2, July 2016) in conjunction with its basic document "Rating Criteria and Definitions" (v1.3, January 2018). CRAG ensures that methodologies, models, and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG´s rating methodologies and basic document "Rating Criteria and Definitions" is published on our website.

To prepare this credit rating, CRAG has used the following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, World Intellectual Property Organization (WIPO), IMD Business School, Central Bank of Ireland, Central Statistics Office (CSO), Republic of Ireland - Department of Finance, Department of Public Expenditure and Reform, National Treasury Management Agency (NTMA), Irish Tax and Customs, Commission on Pensions, Department of Housing, Local Government and Heritage.

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG´s "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision."

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website.

No ancillary services in the regulatory sense were carried out for this rating object. Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses ancillary services provided for the rated entity or any related third party, if any, in its rating reports. For the complete list of provided rating and credit service ancillaries please refer to https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-busi-ness-activities.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as "initial rating"; other updates are indicated as an "update", "upgrade or downgrade", "not rated", "affirmed", "selective default" or "default".

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An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

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