Creditreform Rating

Press Release: Neuss, 08 November 2019

Creditreform Rating affirms the Republic of Ireland’s ratings at A+ /stable

Creditreform Rating has affirmed the unsolicited long-term sovereign rating of “A+” for the Republic of Ireland. Creditreform Rating has also affirmed Ireland’s unsolicited ratings for foreign and local currency senior unsecured long-term debt of “A+”. The outlook is stable.

Ireland’s sovereign ratings and the related rating outlook were published on 08 November 2019 at 11:30pm CET. According to Creditreform Rating’s Sovereign Rating Calendar 2019, the publication was originally scheduled for 25 October 2019. The deviation from the announced publication date is due to the fact that the lead analyst had been ill for a prolonged time. The Irish Department of Finance and the National Treasury Management Agency were informed of the deviation from the publication date in a timely manner, and took notice of the postponement.

The key rating drivers are:

1. While headline figures remain significantly biased by multinational enterprises’ activities, we expect the underlying pace of growth to remain broadly resilient, buttressed by robust though softening domestic demand, and contingent on our baseline assumption of an orderly Brexit
2. Very prosperous economy, benefiting from its business-friendliness and openness towards migration; benign labor market development and demographics; declining but still elevated private sector debt and high macro-financial volatility
3. Very strong institutional set-up, prudent and transparent policy-making, and benefits from EMU and EU membership; key risk of disorderly Brexit is not off the table, but new Brexit deal between EU and UK awaiting to be endorsed by parliament; withdrawal deadline extended again
4. First budget surplus since 2007 and strong improvement in fiscal metrics, which we expect to continue, but debt level and trend somewhat overstated by formulation in GDP terms and buttressed by overshooting and highly concentrated CIT intake; risks related to high stock of NPLs diminishing gradually; prudent debt management
5. Strong MNE presence complicates interpretation of external position and leads to frequent and significant revisions; the large and negative net international investment position is likely to further improve on the back of robust nominal growth

Contact

Dr. Benjamin Mohr
Head of Sovereign Ratings

Creditreform Rating AG
Hellersbergstraße 11
D - 41460 Neuss
b.mohr@creditreform-rating.de

Creditreform Rating

Objective.
Transparent.
Independent.

Creditreform Rating AG has been registered by ESMA as a European rating agency. We are specialist providers of credit risk assessments and offer our customers a wide range of rating and credit services as well as risk management solutions. Our reports inform investment decisions of global investors and creditors and are also widely used for regulatory purposes. We issue corporate, sovereign, and bank ratings, and evaluate structured finance products. Creditreform Rating is a shareholder of European DataWarehouse GmbH.

www.creditreform-rating.de

The rating outlook on Ireland's sovereign ratings is stable, as we assume that the risk situation underlying the key factors affecting sovereign credit risk – including macroeconomic performance, institutional structure, fiscal sustainability, and foreign exposure – is likely to remain fundamentally unchanged over the next twelve months.

We could raise Ireland's credit ratings if medium-term growth comes in significantly higher than we expect, if public debt continues to decline on a sustained basis – also measured by alternative metrics such as debt/GNI* – and/or if we observe that the ratio of non-performing loans moves closer to the European average, accompanied by progress in clearing long-term mortgage arrears.

We could consider lowering the ratings or the related outlook if fiscal slippages lead to a reversal in the downward trend of general government debt, or if Ireland's medium-term growth deteriorates significantly. Downward risks to Ireland's economic and fiscal prospects are primarily related to the risk of the UK leaving the EU without an agreement. In view of intense trade, financial, and labor market linkages, a no-deal Brexit is likely to have serious negative effects. This is underscored by our Brexit Risk Indicator, according to which Ireland is the EU economy most heavily exposed to UK-related trade and capital flows in the EU-27 (BRI: 3.8, EU-27 median 2.0; see "What if… – Consequences of a hard Brexit for the EU-27 states"). Downward pressure on the ratings could also arise if we see resurfacing macro-financial imbalances stemming from the residential property market in tandem with rising household debt, or if changes in international taxation standards result in adverse effects on the economy's competitiveness in terms of foreign direct investment, and the government's revenue intake.

Visit www.creditreform-rating.de to read the full rating report, which contains the rating outcome as well as the reasons for the rating decision and the related outlook.