Ireland

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This report does not constitute a rating action.

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Ratings Score Snapshot

Sovereign credit rating
Foreign currency
AA/Stable/A-1+
Local currency
AA/Stable/A-1+

Credit Highlights

Overview

Institutional and economic profile	Flexibility and performance profile
Ireland is a wealthy, open, and competitive economy.	The government's net debt position has improved markedly in recent years, thanks to a surge in corporate tax receipts.
-- Despite the effects of inflation and higher interest rates, domestic activity remains healthy and we expect growth to average 2.1% over 2024-2027.	-- We project that government debt, net of liquid assets, will fall below 50% of modified gross national income (GNI*) by end-2027, down from almost 80% in 2019
-- Policymakers' track record of prudent and predictable macroeconomic policies have bolstered the country's economic resilience.	-- The structure of government debt is favorable; average maturity is relatively high and most debt obligations have fixed rates, which reduces the impact on debt servicing costs of tighter monetary conditions.
-- The government is under pressure to address housing shortages through investment; we anticipate that this issue could limit growth potential, if not resolved.	-- Ireland's ongoing implementation of the Organization for Economic Cooperation and Development (OECD) corporate tax agreement is not expected to alter our view of Ireland's creditworthiness.

Ireland achieved strong fiscal surpluses in both 2022 and 2023, mainly because volatile corporation tax brought in windfalls. The fiscal surplus exceeded €8 billion in both years, or about 3% of GNI*. The early fiscal data for 2024, to end-April, indicates that this important

segment is starting to unwind. The corporate tax take for this period in 2024 dropped by about €0.8 billion or 23.9%, compared with the same period in 2023. However, other revenue streams have been strong and exchequer revenue is still up 3.6% overall, implying that another solid fiscal surplus is likely this year.

Ireland has announced that it will establish two new savings vehicles during 2024; S&P Global Ratings anticipates that these sovereign wealth funds could eventually provide substantial fiscal buffers. A bill currently passing through the Dáil (Irish parliament) will commit the government to transferring 0.8% of GDP (equivalent to €4.1 billion this year) a year until 2035 to the Future Ireland Fund (FIF). In addition, the government has pledged to set aside €2 billion a year through the Infrastructure, Climate, and Nature Fund, until 2030. The current bill defining these funds includes specific limits on how much can be drawn without enacting further legal changes. Although government priorities could change over this period, we view Ireland's plan to prioritize saving over procyclical spending as supportive for its creditworthiness. In time, the funds could create a material fiscal buffer that could mitigate the effect of future economic cycles on its fiscal performance.

We expect growth in the underlying economy to decelerate over 2024-2027, as the spike in pharmaceutical exports linked to COVID-19 eases. Based on GNI*, we expect economic growth to average 2.1% over this period, down from 10.3% over 2021-2022. During 2023, the export activity linked to the pandemic started to unwind, and overall investment contracted. Nevertheless, we also saw inflation start to ease, particularly in recent months, and the labor market still appears tight. These factors suggest that real disposable income remains healthy. Therefore, we expect domestic consumption to drive still-solid headline growth.

The corporate tax rate for large companies has increased to 15% from the previous 12.5% in 2024, as part of Pillar 2 of the OECD agreement. We anticipate that most of the multinationals affected will maintain their headquarters in Ireland. Even after the increase, Ireland's corporate tax rate remains competitive, given that the average rate for EU OECD countries is about 22%. Initially, we predict that the increase will give government revenue a slight boost; however, if Pillar 1 is implemented, we expect to see a loss in revenue. Pillar 1 concerns the relocation of taxation rights for multinationals. Our forecasts incorporate a €4 billion loss in revenue from 2026, although the timing is not yet known and the impact is highly uncertain. Small and midsize enterprises (SMEs), which are a key source of employment in Ireland, are not expected to face serious disruption.

One or more of the credit ratings referenced in this report is based on a deviation from our sovereign rating methodology, which requires the use of the gross domestic product (GDP) and current account (CA) metrics. In Ireland's case, we view modified gross national income (GNI*) and modified current account (CA*) as better measures of Ireland's national wealth and debt sustainability (see the Ratings Score Snapshot table below for definitions and applicability).

Outlook

The stable outlook balances our expectation that Ireland's resilient economic growth and fiscal performance will cause general government debt as a proportion of GNI* to decline further, against the risks posed by the country's concentrated revenue sources.

Downside scenario

We could lower the ratings on Ireland over the next two years if its fiscal performance deteriorates significantly. A weaker budgetary position could result, for example, from a long-

term decline in the country's competitiveness against a backdrop of continued concentration in revenue sources.

Upside scenario

Although we see an upgrade in the next couple of years as less likely, we could raise the ratings on Ireland if stronger economic growth and fiscal outcomes enable it to reduce government debt much faster than we project, and the revenue base becomes more diversified.

Rationale

Institutional and economic profile: Ireland has a wealthy and open economy, and a track record of following prudent long-term policies

The inclusion in Irish residents' balance sheets of sizable foreign-controlled assets, such as intellectual property rights, leased aircraft, and the retained earnings of redomiciled firms, has had a disproportionate statistical impact on its national accounts and external data since 2015. Modified GNI allows us to estimate the size of Ireland's annual economic output excluding activities that have limited domestic links, and we view it as a more representative measure of national wealth and debt sustainability than GDP. Compared with GNI*, GDP data overstates the size of Ireland's underlying economy by about 50%.

We estimate that Ireland's underlying economy (as measured by GNI*) grew by 1.2% in 2023, which would mark a material slowdown from prior years and reflects the fading out of high base effects. Although GNI* data comes with a significant lag of over 1.5 years, the Irish Central Statistics Office (CSO) publishes other indicators that aim to capture underlying activity, such as modified domestic demand (MDD), more frequently. MDD expanded by just 0.5% in 2023, down from 9.5% in 2022, as modified investment activity contracted significantly through the year. That said, MDD does not include import activity and we think this is likely to have contracted in line with investment. Therefore, we don't expect GNI* to have seen as dramatic a slowdown. Importantly, the modified personal consumption element of MDD has remained healthy, in line with reasonably tight labor market indicators, including those on wages and employment.

In our view, Ireland's wealthy and, in some respects, diversified economy mitigates its economic volatility. We forecast average growth of 2.1% over 2024-2027, with activity mostly being domestically driven. Inflation is likely to remain contained, which supports real disposable income, and interest rates will eventually start easing, while the government has maintained its capital investment program. Household excess savings also appear healthy--again, this is likely to support a steady expansion in domestic activity, despite the more-clouded external environment. Nevertheless, we expect that Ireland's outsized multinational sector will remain volatile, so that small changes at the few very large tech and pharmaceutical entities based in Ireland will have a disproportionate effect on economic and fiscal indicators.

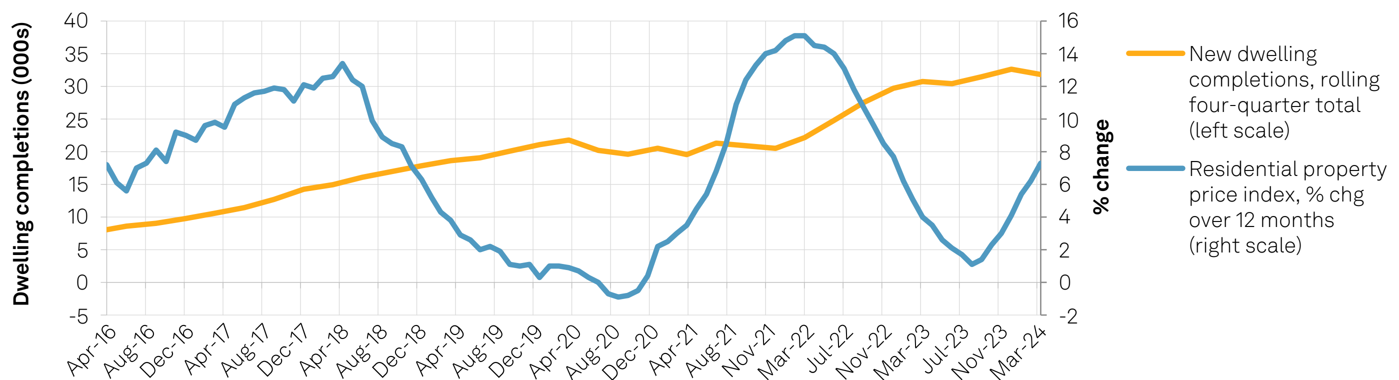
As inflation starts to fall, we estimate that growth in harmonized index of consumer prices (HICP) inflation will moderate to 2.3% this year, from 5.2% in 2023. Despite upside risks to energy prices, the delayed passthrough of past declines in wholesale energy prices has now started to filter through to consumer prices. Additionally, although the labor market remains reasonably tight, it has started to loosen somewhat. Although the unemployment rate has remained near its lowest level since the 2008 financial crisis, the vacancy rate has started to fall . We expect inflation to continue to ease over the next four years, and to average 1.9% over 2025-2027, in line with our expectations for the eurozone as a whole.

The housing shortage and stressed affordability (in terms of price-to-income ratios) are still structural issues for Ireland. Although house price growth had been decelerating since early 2022 in the wake of rising rates, that trend appears to have bottomed out since August 2023. Year-on-year residential property prices rose by 7.3% in March 2024. Despite rising mortgage costs, the housing market appears very tight. The number of listings reached a record low in the

first quarter of 2024, according to MyHome data, suggesting growing competition among homebuyers. As a result, affordability remains stretched. In our view, the shortage of housing units is a social risk and weakens the country's ability to attract and maintain labor market talent. Dwelling completions rose by 32,000 in the year to March 2024. Although this was up 3.5% compared with the year to March 2023, it was a notable deceleration from the more-pronounced increases over 2022-2023. The government is implementing measures aimed at increasing the affordability and availability of social housing. In time, these could help increase supply in the lower-price segment. Nonetheless, we think substantial private sector investments will also be key to easing price pressure and promoting long-term growth for Ireland.

Slowing house completions is contributing to a recent upsurge in Irish house prices

Ireland new dwelling completions versus residential property price index change



Source: Central Statistics Office.

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Ireland has a new head of government, although we expect broad continuity for the rest of the current political term. Leo Varadkar unexpectedly stepped down from the role of Taoiseach and as leader of Fine Gael, citing "personal and political" reasons, on March 20, 2024. Simon Harris won the subsequent leadership contest for Fine Gael, and has therefore become the new Taoiseach. We expect to see continuity on policy priorities--early remarks point to housing being a key focal point. Mr. Harris has also suggested that he would serve the full term (until March 22, 2025), pouring cold water over the prospect of a snap early election. Nonetheless, when elections do come, current polls suggest that Sinn Féin is likely to have a strong chance of forming its first-ever government in the Republic of Ireland. We note that no individual party is likely to secure an absolute majority of seats, and therefore any ruling party would need to compromise with other parties to govern. Broadly speaking, Sinn Féin has moderated its once-radical tone in recent years, and we do not expect it to initiate an abrupt change in policy that would, for example, prompt Ireland's very important multinational sector to exit the jurisdiction.

The Free Trade Agreement signed between the U.K. and EU in December 2020--allowing tariff-free trade--reduced the adverse effects of Brexit on Ireland. We believe the Windsor Agreement, signed in April 2023, will prove able to reduce the risk of tensions around the Northern Ireland protocol, because it brought in a simplified system. Although we consider that Brexit has increased technical trade barriers between the two economies, the impact on trade volumes has so far been limited, apart from an small initial decline. We anticipate that Irish

financial and business services will attract investment from the U.K. and other non-EU jurisdictions interested in maintaining or establishing a presence inside the EU.

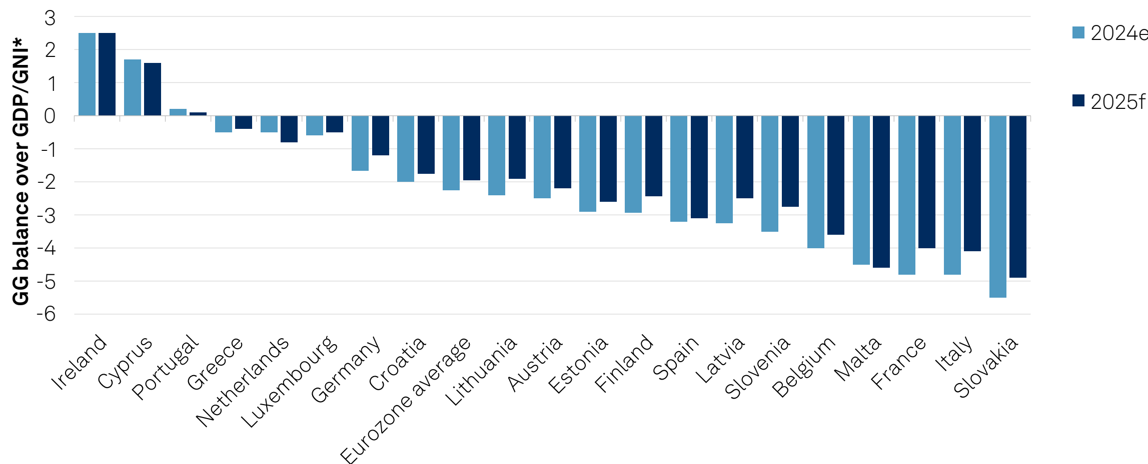
Flexibility and performance profile: Solid fiscal surpluses are helping to reduce government debt to GNI*

Ireland's fiscal performance, as one of the strongest in the eurozone, has allowed the government debt ratio to normalize to a level more in line with similarly rated peers. Windfall corporation tax receipts, combined with unwinding pandemic spending and, more broadly, the robust health of the Irish economy, enabled the government to post surpluses of over 3% of GNI* in both 2022 and 2023. Net debt therefore stood at an estimated 66% of GNI* in 2023, and we anticipate that it will fall further, to about 48% of GNI* in 2027, should the government continue to target budgetary surpluses, even though we expect smaller surpluses compared with 2022 and 2023.

We forecast that the government surplus will be just short of the 2.8% target, at 2.5% of GNI* in 2024. Early exchequer data to April suggests underperformance on corporation tax. Although the government anticipated a fall compared with last year's high levels, the drop of 23.9% for the year to end-April (compared with the same period in 2023) has been larger than expected. The corporate income tax rate increased to 15% in 2024, from 12.5%, but this affects only a limited number of large corporates that are in scope of the OECD Pillar 2 rules and will only affect their 2025 payments. Nevertheless, other tax items have been strong, which helped overall exchequer taxes to grow by 3.6% compared with 2023. It is also relatively early in the year. On the other hand, expenditure has been running somewhat ahead of budget, with overall gross voted expenditure up 12.1% so far this year.

We expect Ireland to remain the eurozone's top fiscal performer

General government balance over GDP or GNI*



Note: General government balance is relative to GNI* for Ireland, GDP for all others. Source: S&P Global Ratings.

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Ireland has increasingly relied on corporation tax receipts over the past 10 years. The increased profitability of a handful of big multinationals has helped the government outperform its budgetary targets. In our view, the corporate tax base is concentrated; more than half of Ireland's corporate tax receipts come from just 10 companies. Although receipts have been increasing steadily since 2015, they saw a massive surge in 2022. Last year, corporation tax revenue hit €23.8 billion (8.4% of GNI*), which was twice their 2020 level. Corporation tax now

contributes 26% of tax receipts, or 19% of general government revenue. Most of the recent rise has been driven by the manufacturing sector, which includes both pharmaceutical and ICT manufacturing. We expect at least part of the increase to unwind in the coming years. The easing of global growth is likely to hit profitability at Ireland-based firms.

The OECD corporate tax agreement, which Ireland joined in October 2021, is likely to weigh on government revenue when fully implemented (for more information, see "The OECD Tax Agreement Is Likely To Put Pressure On Irish Public Finances," published Oct. 11, 2021, on RatingsDirect). The OECD deal aims to reallocate some taxation rights over multinationals from their home countries to the markets where they have business activities and earn their profits, regardless of whether firms have a physical presence there (pillar 1). In addition, it will impose a 15% global minimum corporation tax rate on multinationals that have revenue of over €750 million (pillar 2). Jurisdictions worldwide, including Ireland, have started to implement pillar 2 minimum corporation tax rate this year. For Ireland, this means a shift away from its historical rate of 12.5%, which it accomplished via a top-up tax for certain in-scope businesses. We anticipate that the higher corporate tax rate will boost government revenue from next year (when taxes on 2024 profits will become due), because we don't expect individual companies to materially change their behavior. However, this initial increase is likely to be reversed when pillar 1 is implemented. We expect pillar 1 to have a negative impact on government revenue, but both when it will be implemented and the magnitude of the impact are highly uncertain. Currently, we assume a reduction in Ireland's revenue of about €4 billion a year from 2026.

We do not expect these ongoing changes to international tax policy to alter our view of Ireland's creditworthiness and we anticipate that most of the multinationals affected will maintain their headquarters in the country. Although the long-term outlook for new foreign direct investment is less certain, Ireland will retain its other competitive advantages, such as its educated and flexible labor force, strong institutions and common law legal system, and English-language business environment in the euro area.

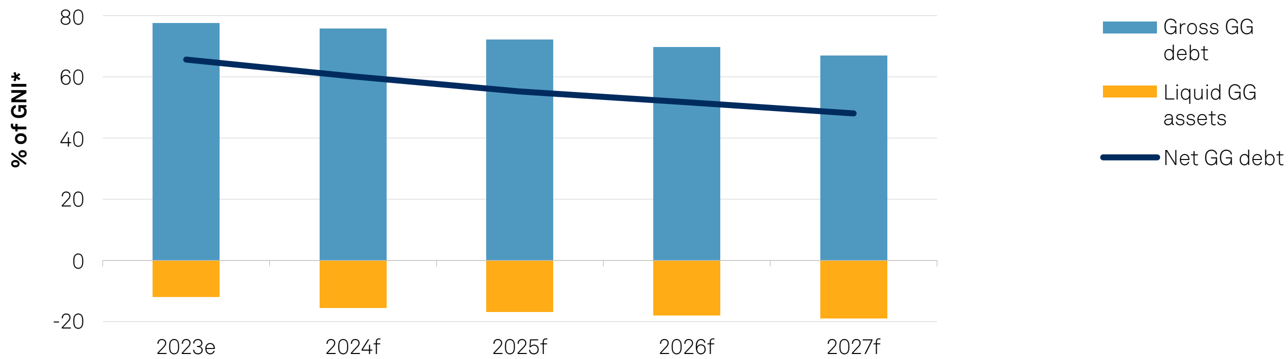
Ireland announced in late 2023 that it would establish two new long-term savings vehicles, which would be set up toward the end of 2024. They will be financed from the windfall corporate tax receipts and have explicit restrictions on how much and when they can be drawn down. The Future Ireland Fund (FIF) will be targeted at longer-term challenges, such as health and demographics; the Infrastructure, Climate and Nature Fund (ICNF) will have a nearer-term perspective. Its purpose is to ensure that capital spending can be maintained over the economic cycle. From this year, 0.8% of the GDP reported two years prior will be channeled into FIF, until 2035 (that is, in 2024, the amount will be €4.1 billion, based on 2022 GDP). From next year, an additional €2 billion a year will be channeled into ICNF, until 2030. Based on the current draft of the law, drawdowns from FIF will be limited to 3% a year and will not be allowed before 2041; drawdowns from ICNF are limited to 25% of the fund in any given year, from 2026. Drawdowns from ICNF are subject to an assessment of the state of the economic cycle; this assessment will also determine whether a reduction or an outright pause in annual payments to both funds is warranted.

In light of the potentially volatile nature of corporate tax receipts in Ireland, and the effect of this on its fiscal surpluses, we view the plan to accumulate assets for long-term and contracyclical spending as supportive of our rating on Ireland. Nonetheless, the effect could be dented if, during the fund's accumulation phase, a new government were to deprioritize saving into the funds. In addition, if corporate income tax windfalls were to diminish sooner than expected, it could dash the government's hope of accumulating €100 billion by 2035.

The National Treasury Management Agency--the government's debt-management office--had a large cash balance of €24.8 billion, or about 8.4% of GNI*, at the start of 2024. We assume its cash reserves will remain near these levels through 2027. In addition, we project the government will accumulate about €27.5 billion in the two newly established savings funds, bringing total liquid assets to about €52 billion in 2027, or 16% of GNI*. We understand that funds can be invested both domestically and externally, and we assume that most of the assets will be invested outside the country, on a commercial basis.

Ireland is planning to build up sovereign wealth assets in the coming years

Contribution of debt and assets to Ireland's net general government debt to GNI*



Source: S&P Global Ratings. GNI*--Modified gross national income. GG--General government.

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We expect general government debt to fall below 73% of GNI* by end-2024. Incorporating government liquid assets, we project net government debt to decline to 61% of GNI* in 2024, a significant drop from the 79% reported in 2019. The government's commercial debt stock is relatively long-dated and has an average maturity of close to 11 years. About 95% of this debt pays a fixed interest rate. Therefore, although borrowing costs for new debt issuance is likely to be higher than the past, we expect Ireland's debt service costs to remain contained, at about 3% of revenue.

We view the eurozone's strong fiscal and monetary responses as a rating strength, although we acknowledge that Ireland's eurozone membership entails a compromise on monetary flexibility. In our opinion, the European Central Bank's monetary policy remains credible, given its record on long-term inflation, its responses to date in addressing dislocations from private-sector financial flows within the eurozone, and the depth of the eurozone's capital market.

Ireland's international investment position is subject to large swings, based on a notional ownership of equity assets abroad. Many multinational enterprises book valuable intellectual property assets in Ireland's capital stock. Flows from these assets include receipts on manufacturing earnings and royalties. As a consequence, Ireland's headline current account shows large swings between deficits and surpluses, largely fueled by the timing of multinational companies' profit repatriations. The CSO produces a modified current account (CA*) which adjusts for depreciation on foreign-owned intellectual property assets and aircraft leasing, and the retained earnings of redomiciled firms, and which likely reflects more the activity of Irish residents. This modified current account metric has shown consistent surpluses for Ireland since 2014. We expect the constraints on external demand to weigh on the modified current account metric, although it will retain a surplus of about 5.4% of GNI* this year. It is challenging to interpret Ireland's external profile because the multinational activity does have a large effect on the domestic economy, including through employment, wages, and tax receipts. Short-term external debt is elevated, but a considerable portion of this comprises intercompany lending.

Ireland--Selected Indicators

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Economic indicators (%)										
Nominal GNI* (bil. €)	195	210	203	233	273	285	297	309	321	335
Nominal GDP (bil. €) (1)	327	356	375	434	506	505	526	548	570	594
Nominal GNI* (bil. $)	230	236	232	276	288	308	326	352	375	394
Nominal GDP (bil. $) (1)	387	399	429	513	533	546	577	625	665	698
GNI* per capita (000s $)	48	48	47	55	57	58	61	66	69	72
GDP(1) per capita (000s $)	80.1	81.3	86.3	102.5	105.4	103.5	108.4	116.2	122.4	127.2
Real GNI* growth	4.4	2.5	(3.6)	13.9	6.7	1.2	2.1	2.2	2.0	2.2
Real GDP growth (1)	8.5	5.3	6.6	15.1	9.4	(3.2)	2.1	2.2	2.0	2.2
Real GNI* per capita growth	3.4	1.0	(4.8)	12.9	5.6	(2.9)	1.1	1.2	1.0	1.2
Real GDP per capita growth (1)	7.4	3.7	5.3	14.2	8.3	(7.1)	1.1	1.2	1.0	1.2
Real investment growth	(8.2)	100.7	(16.5)	(40.4)	5.1	2.9	0.7	1.0	1.6	2.0
Investment/GDP (1)	28.9	55.0	43.2	23.4	24.2	27.1	26.8	26.6	26.4	26.2
Savings/GDP (1)	33.8	35.2	36.7	37.1	35.0	37.0	35.9	35.8	34.3	34.2
Exports/GDP (1)	122.5	128.0	132.9	133.7	137.1	134.1	135.5	136.6	137.9	139.4
Real exports growth	9.8	11.8	11.5	15.1	13.9	(4.8)	3.0	3.1	2.8	3.3
Unemployment rate	5.8	5.0	5.9	6.2	4.5	4.3	4.1	4.0	4.0	4.0
External indicators (%)										
Current account balance/GDP (1)	4.9	(19.9)	(6.5)	13.7	10.8	9.9	9.0	9.2	7.9	8.0
Modified current account balance/GNI*	4.5	7.2	7.1	10.0	7.1	6.2	5.4	5.6	4.3	4.3
Current account balance/CARs	3.2	(12.4)	(4.0)	8.3	6.4	5.4	5.4	5.5	4.8	4.8
CARs/GDP (1)	151.3	160.4	161.5	164.3	168.9	181.5	168.7	167.8	165.4	165.7
Trade balance/GDP (1)	33.4	33.1	38.0	38.8	40.0	32.0	32.3	32.5	32.7	33.0
Net FDI/GDP (1)	(4.4)	29.4	26.6	(11.7)	(6.5)	10.0	2.1	2.1	3.5	3.4
Net portfolio equity inflow/GDP (1)	10.5	48.1	21.5	22.9	20.2	17.8	16.5	16.4	16.7	16.7
Gross external financing needs/CARs plus usable reserves	319.5	328.1	324.0	292.9	286.9	261.2	267.7	257.1	252.2	246.2
Narrow net external debt/CARs	195.8	191.2	191.3	169.4	134.1	122.5	126.6	119.9	116.9	113.7
Narrow net external debt/CAPs	202.4	170.2	183.9	184.9	143.3	129.6	133.8	126.9	122.8	119.4
Net external liabilities/CARs	117.1	119.1	109.7	76.3	70.0	59.6	56.5	48.1	42.4	36.7
Net external liabilities/CAPs	121.0	106.0	105.5	83.3	74.8	63.0	59.7	50.9	44.5	38.5
Short-term external debt by remaining maturity/CARs	225.2	218.4	222.6	203.8	197.5	170.0	176.6	165.7	159.9	153.8
Usable reserves/CAPs (months)	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1
Usable reserves (mil. $)	5,210	5,715	7,363	13,220	13,047	12,901	12,901	12,901	12,901	12,901
Fiscal indicators (general government; %)										
Balance/GNI*	0.2	0.8	(9.2)	(2.8)	3.2	2.9	2.5	2.5	1.4	1.6
Balance/GDP (1)	0.1	0.5	(5.0)	(1.5)	1.7	1.7	1.4	1.4	0.8	0.9
Change in net debt/GNI*	(1.8)	(2.0)	9.7	2.7	(1.9)	(0.2)	(2.8)	(2.5)	(1.4)	(1.6)
Change in net debt/GDP (1)	(1.1)	(1.2)	5.2	1.5	(1.0)	(0.1)	(1.6)	(1.4)	(0.8)	(0.9)
Primary balance/GNI*	2.9	3.0	(7.3)	(1.4)	4.4	4.2	3.7	3.8	2.7	2.9
Primary balance/GDP (1)	1.8	1.8	(4.0)	(0.8)	2.4	2.3	2.1	2.1	1.5	1.6
Revenue/GNI*	42.7	42.0	41.0	42.6	42.5	43.5	42.4	41.7	40.1	39.9

Ireland--Selected Indicators

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Economic indicators (%)										
Revenue/GDP (1)	25.4	24.8	22.2	22.9	22.9	24.5	23.9	23.5	22.6	22.5
Expenditures/GNI*	42.5	41.2	50.3	45.4	39.3	40.5	39.9	39.2	38.7	38.3
Expenditures/GDP (1)	25.3	24.3	27.2	24.4	21.2	22.9	22.5	22.1	21.8	21.6
Interest/revenues	6.4	5.2	4.6	3.3	2.9	2.8	3.0	3.1	3.2	3.2
Debt/GNI*	105.7	96.7	107.4	101.2	82.3	77.5	75.7	72.1	69.7	67.0
Debt/GDP (1)	62.9	57.1	58.1	54.4	44.4	43.7	42.7	40.6	39.3	37.8
Debt/revenues	247.3	230.3	261.6	237.7	193.8	178.4	178.6	173.0	173.9	167.9
Net debt/GNI*	87.7	79.2	91.8	82.6	68.6	65.6	60.1	55.2	51.7	48.0
Net debt/GDP (1)	52.2	46.7	49.6	44.4	37.0	37.0	33.9	31.1	29.2	27.1
Liquid assets/GNI*	18.0	17.5	15.6	18.7	13.7	11.9	15.5	16.9	18.0	18.9
Liquid assets/GDP (1)	10.7	10.3	8.4	10.0	7.4	6.7	8.8	9.5	10.1	10.7
Monetary indicators (%)										
CPI growth	0.7	0.9	(0.5)	2.4	8.1	5.2	2.3	2.1	1.9	1.8
GNI* deflator growth	1.6	5.3	0.1	1.0	9.7	3.0	2.1	2.0	1.9	1.9
GDP deflator growth (1)	1.1	3.4	(1.2)	0.5	6.6	3.0	2.1	2.0	1.9	1.9
Exchange rate, year-end (€/$)	0.87	0.89	0.81	0.88	0.94	0.90	0.90	0.87	0.85	0.86
Banks' claims on resident non-gov't sector growth	(1.4)	(2.9)	(4.0)	(3.2)	1.1	0.5	1.1	1.2	1.2	1.2
Banks' claims on resident non-gov't sector/GNI*	92.0	82.6	82.3	69.3	59.8	57.7	56.0	54.3	52.9	51.4
Banks' claims on resident non-gov't sector/GDP (1)	54.7	48.8	44.5	37.2	32.3	32.5	31.6	30.6	29.8	29.0
Foreign currency share of claims by banks on residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign currency share of residents' bank deposits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real effective exchange rate growth	2.6	(4.2)	(7.8)	(1.2)	(6.8)	6.6	N/A	N/A	N/A	N/A

Sources: Eurostat and Central Statistics Office (Economic Indicators); International Monetary Fund, Central Bank of Ireland (Monetary indicators); Eurostat, National Treasury Management Agency, National Asset Management Agency, and Central Bank of Ireland (Fiscal indicators); Central Bank of Ireland and Central Statistics Office (External indicators).

Adjustments: Our fiscal and debt forecasts reflect the transfer of National Asset Management Agency's accumulated profits back to the state.

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. GNI*--Modified gross national income.CA*--Modified current account. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information. (1) Ireland GDP forecasts in 2024-2027 in this table are based on the underlying domestic economy. GNI* and CA* are still estimates for 2023.

Ireland--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	2	Generally strong track record of policies that deliver sustainable public finances and balanced economic growth. Unbiased enforcement of contracts and respect for rule of law. Generally

Ireland--Rating Component Scores

Key rating factors	Score	Explanation
		effective checks and balances between institutions. Free flow of information throughout society, with open debate of policy decisions. Coordination requirements at the level of the Economic and Monetary Union may hinder timely policy responsiveness.
Economic assessment	1	Based on modified gross national income (GNI*) per capita ($) as per Selected Indicators table. We believe GNI* is a better measure of Ireland's national wealth and debt sustainability than GDP, as GNI* estimates the size of Irish annual economic output that excludes activities with limited domestic links. GNI* calculation is based on GNI less factor income of redomiciled companies, depreciation on research and development (R&D) service imports and trade in intellectual property (IP), and depreciation on aircraft leasing. Since 2015, the inclusion in Ireland's balance sheet of these highly valuable foreign-controlled assets have created outsized statistical effects in its national accounts and balance-of-payments data. Based on GNI* series, GDP data overstates the size of Ireland's underlying economy by about 50%.
External assessment	3	Based on narrow net external debt to current account receipts as per Selected Indicators table. In the context of our external assessment for Ireland and given its membership of the Economic and Monetary Union, we consider the euro as an actively traded currency.
		Modified current account (CA*), which strips out a large portion of multinationals' effect, has been consistently in surplus since 2014. CA* calculation is based on CA less (depreciation on R&D service imports and trade in IP plus aircraft leasing depreciation plus redomiciled incomes plus R&D-related IP exports) adding back (net aircraft related to leasing plus R&D-related IP imports plus R&D service imports).
		Ireland's external short-term debt by remaining maturity represents close to 100% of current account receipts.
Fiscal assessment: flexibility and performance	2	Based on change in net general government (GG) debt/GNI*.
		Ireland's revenue base is subject to volatility because corporation tax receipts currently make up about 27% of total tax revenues, part of which is likely to be windfall in nature.
Fiscal assessment: debt burden	2	Based on net GG debt/GNI* and GG interest/GG revenue.
Monetary assessment	2	In the context of our monetary assessment, we consider the euro to be a reserve currency, which floats freely.
		The European Central Bank has an established track record in monetary authority independence with clear objectives and a wide array of policy instruments, including nonconventional tools. Consumer price growth is moderate and in line with that of its trading partners.
		Ireland is a member of the Economic and Monetary Union.
Indicative rating	aa+	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	-1	Ireland's external liquidity is at a level substantially worse than the benchmark for the weakest levels of external liquidity, as defined in table 4 in "Sovereign Rating Methodology" based on "Gross external financing needs / (current account receipts + usable reserves)" data.
Final rating		
Foreign currency	AA	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	AA	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, May 17, 2024
- Sovereign Ratings List, May 17, 2024
- Sovereign Ratings Score Snapshot, May 7, 2024
- Global Sovereign Rating Trends First-Quarter 2024, April 16, 2024
- Sovereign Risk Indicators, April 8, 2024. An interactive version is also available at www.spratings.com/sri
- Default, Transition, and Recovery: 2023 Annual Global Sovereign Default And Rating Transition Study, March 27, 2024

Ratings Detail (as of May 15, 2024)*

Ireland	
Sovereign Credit Rating	AA/Stable/A-1+
Transfer & Convertibility Assessment	AAA
Senior Unsecured	AA
Senior Unsecured	AA/A-1+
Sovereign Credit Ratings History	
19-May-2023	AA/Stable/A-1+
18-Nov-2022	AA-/Positive/A-1+
29-Nov-2019	AA-/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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