

Country Insight Snapshot Ireland

September 2019





OVERVIEW

OVERALL COUNTRY RISK RATING: DB3a

Slight risk: Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

Rating Outlook: Improving

CORE OUTLOOK

- + Ireland's rate of corporation tax (12.5%) compares very favourably with other European countries such as the UK and Germany.
- + There are few legal or bureaucratic barriers to investors entering the Irish market.
- As a small, open economy, Ireland is highly susceptible to a downturn in the UK, European and American economies.
- Public, household and external debt ratios are all high, implying a significant risk of renewed financial crisis.

KEY DEVELOPMENT

In a calculated gamble to limit the fallout from Brexit, Ireland is resisting alternatives to the 'Irish backstop' contained in the UK's draft withdrawal treaty from the EU, but this approach could backfire.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Deteriorating

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

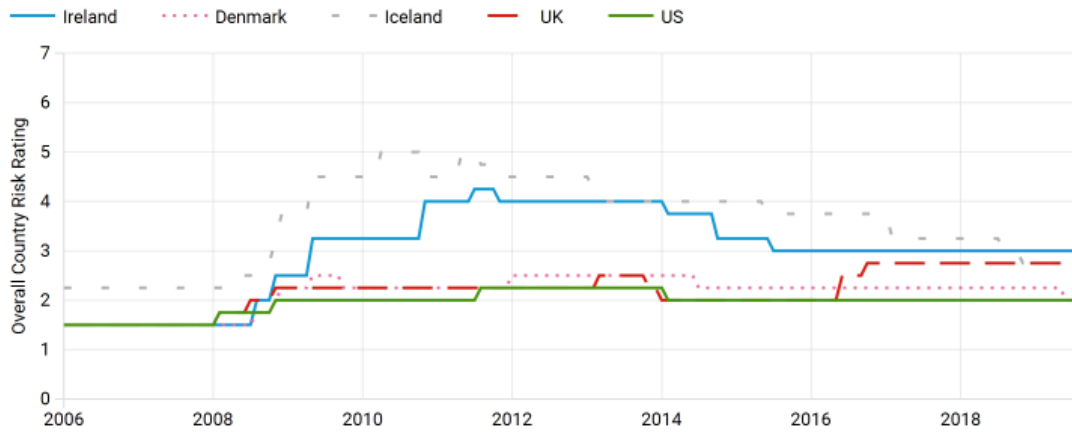
Trend: Stable

Key Development has had a negative impact on the outlook.



KEY INDICATORS

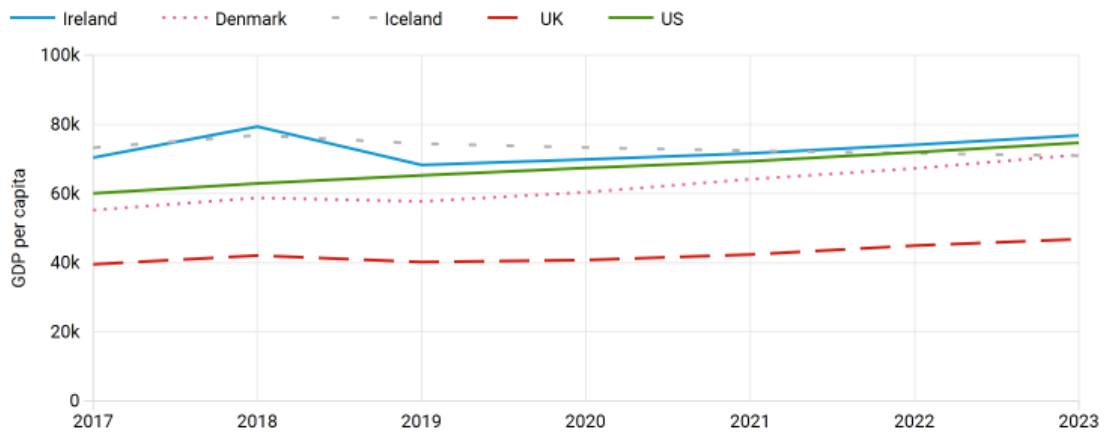
Rating History and Comparison



Source: Dun & Bradstreet

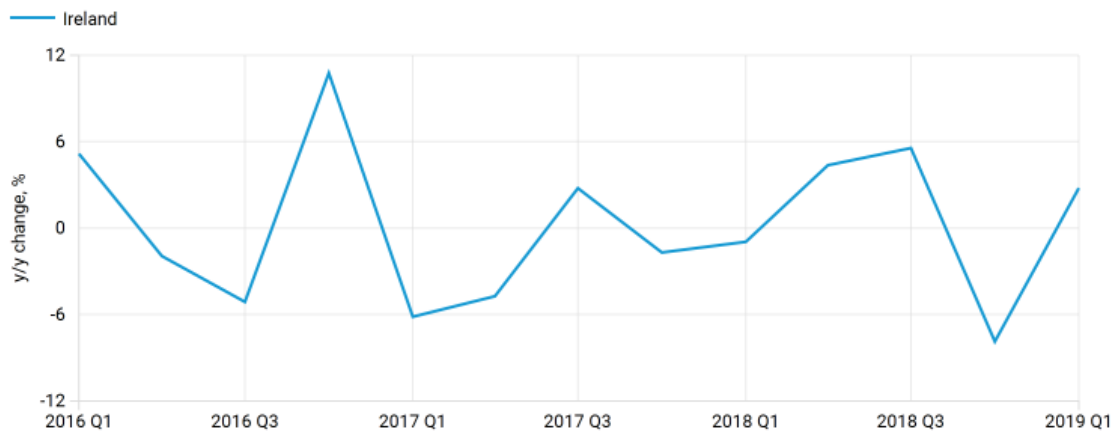
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2016	2017	2018	2019f	2020f	2021f	2022f	2023f
C/A balance % GDP	4.8	1.0	10.7	13.1	11.1	8.7	5.8	5.5
Govt balance, % GDP	-0.7	-0.3	0.1	0.5	-0.2	-0.4	-0.6	-0.2
Inflation, annual avge %	0.0	0.3	0.3	0.8	1.0	1.2	1.3	1.5
Real GDP Growth, %	3.7	8.1	8.3	4.8	3.3	2.5	2.3	2.5
Unemployment, %	8.4	6.7	5.8	4.6	4.5	4.7	5.0	5.5

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Ireland is under international pressure to raise its ultra-competitive 12.5% rate of corporation tax, potentially making Ireland a less attractive environment for multinational companies in the future. The European Commission has published a document setting out plans to establish 'fair and competitive taxation' among EU members by ending national vetoes on tax and reviving a dormant proposal to establish a common consolidated corporate tax base. In parallel, the OECD is proposing a minimum rate of corporation tax among its 35 members, to be agreed this year, finalised in 2020 and implemented early next decade. The rate has yet to be decided, but pressure from powerful states such as the US, France and Germany could set the rate above 12.5%. Meanwhile, the OECD has publicly criticised Ireland for delays in phasing out the so-called 'double Irish' tax allowance which lets companies shift profits offshore by incorporating in Ireland but registering to pay tax elsewhere. In parallel, recent comments suggest the government accepts it cannot maintain the existing tax rate and must adapt its economic model accordingly.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 1-3 months

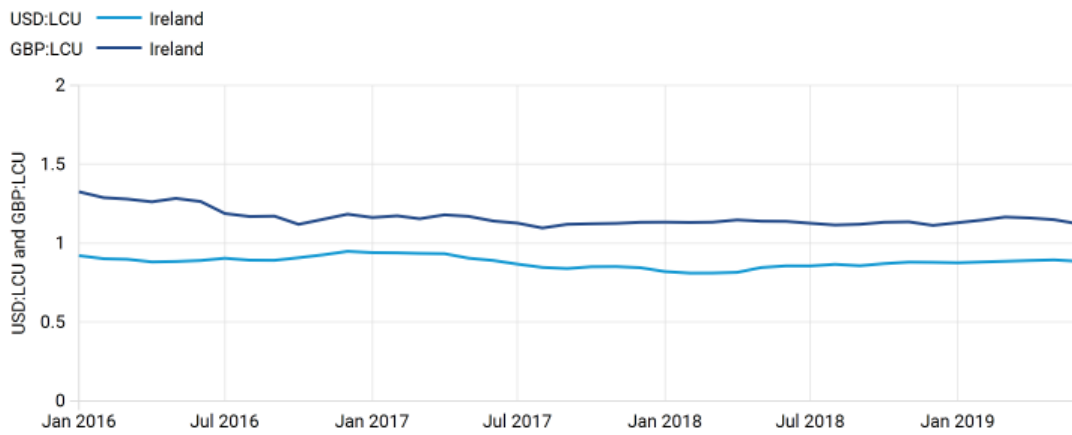
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



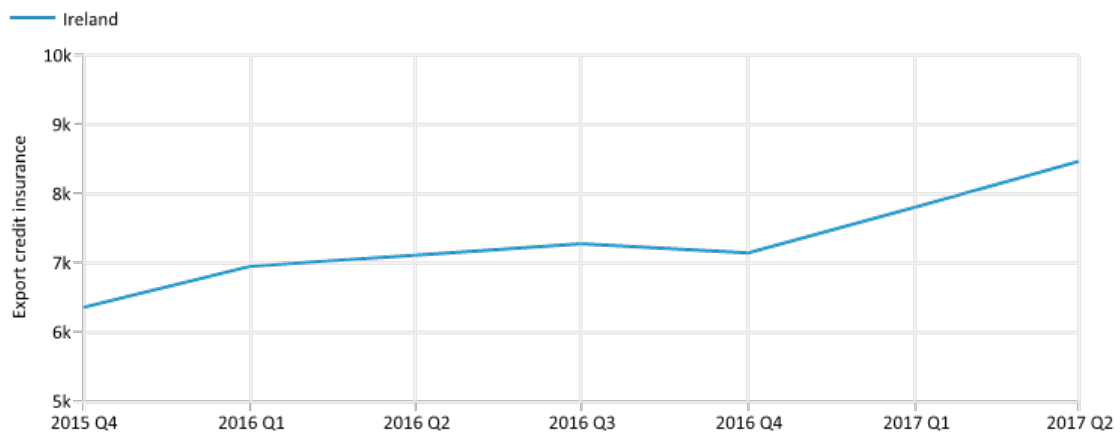
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source: Export Credit Agencies

Insured export credit exposures, USDm; part of the increase going into 2017 is due to methodology changes.



RISKS AND OPPORTUNITIES

Business Continuity

Resistance to the 'Irish backstop' could backfire

The Irish government is resisting alternatives to the 'Irish backstop' contained in the UK's draft withdrawal treaty from the EU, in a calculated gamble to limit the fallout from Brexit. The immediate context is a formal letter from London to the European Commission which rejects the backstop - an arrangement under which the UK indefinitely remains part of the EU's customs union after Brexit - and its proposal to use technology to monitor goods passing between Ireland and Northern Ireland, allowing an invisible border to remain. Tactically, Dublin and other EU governments have rejected this idea, arguing that the UK has failed to explain how the technology will work; they are also refusing to discuss planning for a no-deal Brexit on the basis that this is a 'unilateral' exercise. Strategically, they are trying to force London to reverse its position and accept the backstop to avoid damage to the British economy, potentially via a proposed vote of no confidence in the Westminster parliament and a change in government. However, this is a risky strategy given that time is running out ahead of a 31 October deadline, and could backfire on Ireland if London refuses to yield. If the UK leaves the EU without a treaty and Ireland wants to maintain an open border, the likely alternatives are less attractive –controls on goods crossing the northern Irish border or Ireland's partial removal from the EU's single market.

Short-Term Economic Outlook

Economic sentiment declining

Indicators of sentiment point to a continued slowdown in the Irish economy, amid a broader slowdown in global growth and uncertainties about the impact of Brexit. The Purchasing Managers Index (PMI) for manufacturing fell for the fifth consecutive month in July to 48.7, the lowest reading since April 2013 and significantly below the 50-point threshold separating an expansion in new orders from a contraction. The OECD's index of business confidence fell for the eighth consecutive month in July and, at 99.8, has fallen below the long-term average of 100. Meanwhile, KBC Bank's index of consumer sentiment index dropped sharply, to 85.5, down from 90.5 in June, the weakest reading since November 2014. This suggests that demand for services may also decline more sharply in H2, taking the PMI for services from its currently positive reading of 55.0 below the 50-point threshold.

FX Risk

US monitors Ireland for unfair practices

The US Treasury has added Ireland to its monitoring list of nine countries engaging in unfair practices due to the large trade and current account surplus it runs with the US, following a change in the Treasury's methodology that increases the number of countries it examines from 12 to 21. Although the Treasury has not accused Ireland of being a currency manipulator - not least because its membership of the euro zone means Ireland has no control over its currency -the country's inclusion on the list alongside Germany and Italy will probably intensify American pressure on the ECB and see American officials put informal bilateral pressure on Dublin to reduce its bilateral surpluses with the US.



COUNTRY PROFILE AND STATISTICS

Overview

The Republic of Ireland is located on an island to the west of the UK. It shares the island with Northern Ireland, which is a constituent country of the UK; the Republic of Ireland was founded in 1922 after gaining independence from the UK.

In recent years, the economy has transformed from having an agricultural focus and is now becoming dominated by trade, industry and investment. Ireland has an investor-friendly business environment. Strong economic growth in 2004-08 was driven by a buoyant construction sector, but the mid-2007 housing market downturn, coupled with the financial crisis, brought investment activity and economic growth to a halt, exposing large imbalances in the public sector.

The political environment is reasonably stable. One long-standing feature of Irish politics is the relationship with Northern Ireland and the conflict that took place there in the twentieth century. However, the advent of the Good Friday Agreement in 1998, and the return of devolved power to Northern Ireland in 2007, mean that peace has returned and the issue has become less potent; this could change in the wake of the UK's Brexit vote.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Leo VARADKAR
Capital	Dublin
Timezone	GMT
Official languages	Irish, English
Population (millions)	4.8
GDP (USD billions)	382.5
GDP per capita (USD)	79,369
Life expectancy (years)	81.5
Literacy (% of adult pop.)	99.9
Surface area (sq km)	70,280

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2014	2015	2016	2017	2018
Real GDP growth (%)	8.5	25.1	3.7	8.1	8.3
Nominal GDP in USDbn	258	291	300	335	382
Nominal GDP in local currency (bn)	195	263	271	297	324
GDP per Capita in USD	55,796	62,602	63,934	70,391	79,369
Population (year-end, m)	4.6	4.7	4.7	4.8	4.8
Exchange rate (yr avge, USD-LCU)	0.8	0.9	0.9	0.9	0.8
Current Account in USDbn	8.9	31.7	14.3	3.4	40.9
Current Account (% of GDP)	3.5	10.9	4.8	1.0	10.7
FX reserves (year-end, USDbn)	327.6	333.9	344.4	353.2	378.4
Import Cover (months)	1.3	1.4	1.5	1.4	1.3
Inflation (annual avge, %)	0.3	0.0	0.0	0.3	0.3
Govt Balance (% GDP)	-3.6	-1.9	-0.7	-0.3	0.1

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2019f	2020f	2021f	2022f	2023f
Real GDP growth (%)	4.8	3.3	2.5	2.3	2.5
Nominal GDP in USDbn	333	345	357	372	388
Nominal GDP in local currency (bn)	295	300	305	310	318
GDP per Capita in USD	68,265	69,869	71,615	74,101	76,799
Population (year-end, m)	4.9	4.9	5.0	5.0	5.1
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.8	0.8
Current Account in USDbn	43.8	38.4	31.0	21.6	21.2
Current Account (% of GDP)	13.1	11.1	8.7	5.8	5.5
FX reserves (year-end, USDbn)	396.8	417.1	434.0	451.6	474.6
Import Cover (months)	1.4	1.4	1.3	1.2	1.2
Inflation (annual avge, %)	0.8	1.0	1.2	1.3	1.5
Govt Balance (% GDP)	0.5	-0.2	-0.4	-0.6	-0.2

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Ireland	Denmark	Iceland	UK	US
Income per Capita (USD)	68,265	57,728	74,442	40,187	65,259
Country Population (m)	4.9	5.8	0.3	67.5	329.1
Internet users (% of population)	82.2	97.0	98.2	94.8	76.2
Real GDP Growth (% p.a., 2019 - 2028)	2.0 - 4.5	1.4 - 2.3	1.5 - 3.2	1.8 - 3.5	1.8 - 2.5

Source: Various sources/Dun & Bradstreet



LINKS

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