

# Republic of Ireland

## Rating report

### Rating rationale

**Wealthy and internationally competitive economy:** Ireland benefits from its high wealth levels and competitive economy, supported by high value-added sectors such as pharmaceuticals and information and communication technology, which underpin the country's robust growth potential. However, trade tensions and shifts in the strategy of multinational enterprises are downside risks.

**Track record of fiscal consolidation:** Continued fiscal surpluses, a downward debt trajectory, and the long maturity of government debt support the rating. The Future Ireland Fund and the Infrastructure, Climate and Nature Fund should further mitigate challenges related to an ageing population, capital investment needs, and climate change.

**Strong institutional environment:** Ireland has a strong institutional framework, a favourable business environment, which attract foreign investments, and an effective rule of law. The government coalition between Fianna Fáil and Fine Gael is expected to anchor policy continuity and stability until the next election, scheduled for end-2029.

**Euro-area and European Union member:** Euro-area and European Union membership supports Ireland's high-growth economic model, helping to attract and retain foreign investment. It also provides access to lenders of last resort via the European Central Bank and the European Stability Mechanism.

**Rating challenges:** i) strong dependence on foreign-owned multinational enterprises (MNEs), whose highly concentrated and excess corporate tax contributions account for a significant portion of government revenue; ii) the economy's vulnerability to a changing international environment and geopolitics, given strong trade and FDI linkages with the United States and high economic openness; iii) supply-side bottlenecks, limiting capital investment spending to tackle infrastructure needs and buildup public services; and iv) high external debt levels.

**Figure 1: Ireland's sovereign-rating drivers**

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative****	Final rating	
		Weight	Indicative rating					
ESG risk	Domestic economic risk	35%	aaa	EUR	Ireland	0	AA	
	Public finance risk	20%	aaa			1/3		
	External economic risk	10%	bb-			- 3/3		
	Financial stability risk	10%	aaa			- 1/3		
	Environmental factors	5%	a-		[+1]	0		
	Social factors	7.5%	bbb+			- 1/3		
	Governance factors	12.5%	aaa			0		
<b>Sovereign Quantitative Model***</b>		aaa				-1		
<b>Additional considerations*****</b>						-1		

\*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

\*\*The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

\*\*\* The Rating Committee approved an indicative rating of 'aaa'.

\*\*\*\*The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer.

\*\*\*\*\* A one-notch negative adjustment is applied to capture distortions in Irish economic data that tend to overstate the performance of underlying fundamentals and credit metrics of Ireland.

For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

### Foreign currency

Long-term issuer rating/Outlook

**AA/Stable**

Senior unsecured debt/Outlook

**AA/Stable**

Short-term issuer rating/Outlook

**S-1+/Stable**

### Local currency

Long-term issuer rating/Outlook

**AA/Stable**

Senior unsecured debt/Outlook

**AA/Stable**

Short-term issuer rating/Outlook

**S-1+/Stable**

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## Credit strengths and challenges

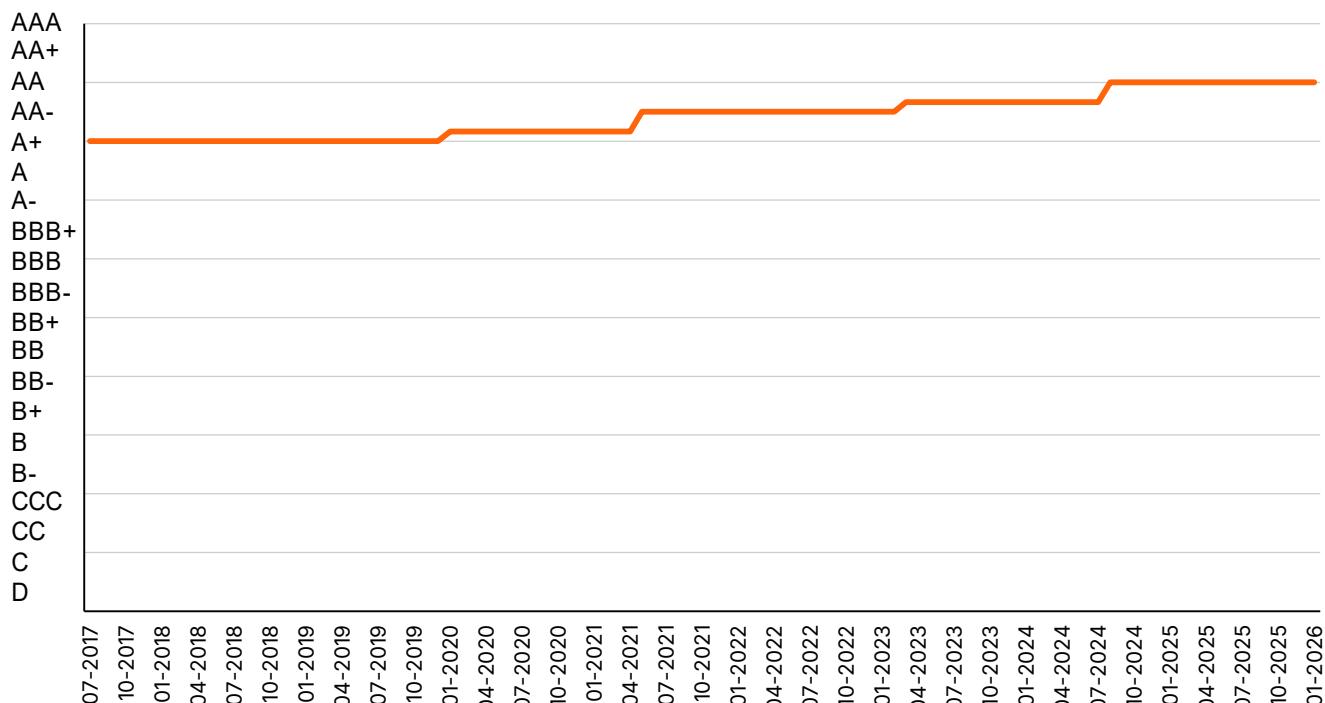
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>• Wealthy and internationally competitive economy</li> <li>• Track record of fiscal discipline, favourable debt profile</li> <li>• Strong institutional environment</li> <li>• Euro-area and European Union membership</li> </ul>	<ul style="list-style-type: none"> <li>• Strong dependence on multinational enterprises</li> <li>• Vulnerability to sudden international shocks</li> <li>• Supply-side constraints limiting capital investment spending</li> <li>• High external debt levels relative to peers</li> </ul>

## Outlook and rating triggers

The Stable Outlook reflects Scope's view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>• Vulnerabilities to public finances reduce significantly, including a more diversified tax revenue base</li> <li>• Vulnerabilities related to external demand and financial-system risks reduce substantially</li> </ul>	<ul style="list-style-type: none"> <li>• Weaker fiscal outlook and/or reversal of declining trend in debt-to-GNI* ratio</li> <li>• Substantially weaker-than-expected medium-term economic growth outlook</li> <li>• Private-sector and financial system risks increase meaningfully, impacting long-term macro-economic and financial stability</li> </ul>

Figure 2: Rating history



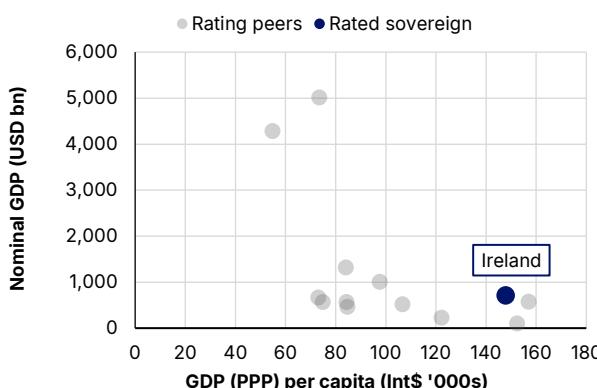
Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

## Domestic economic risk

### Overview of Scope's assessments of Ireland's Domestic Economic Risk

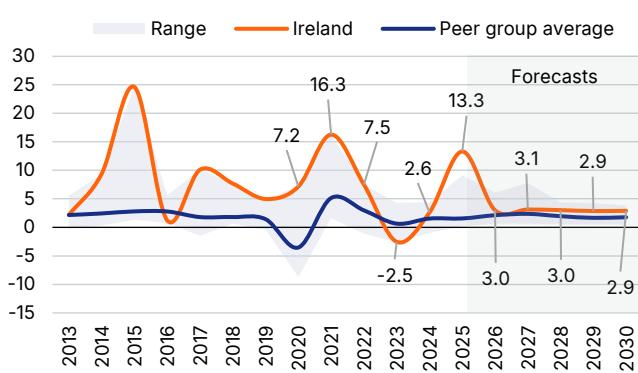
SQM <sup>1</sup> indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Strong	1/3	Strong growth potential but risks related to long-term impact of international tensions for key sectors
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; effective policy framework and transmission over the cycle
	Macroeconomic stability and sustainability	Weak	- 1/3	Economic structure subject to high volatility related to international tensions and decisions from multinational enterprises

Figure 3: Nominal GDP and GDP per capita (2025F)



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



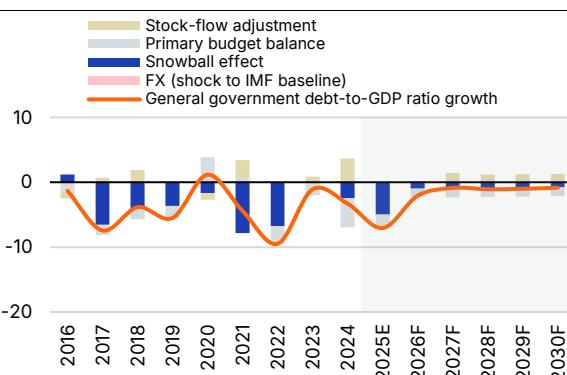
Source: IMF WEO, Scope Ratings forecasts

## Public finance risk

### Overview of Scope's assessments of Ireland's Public Finance Risk

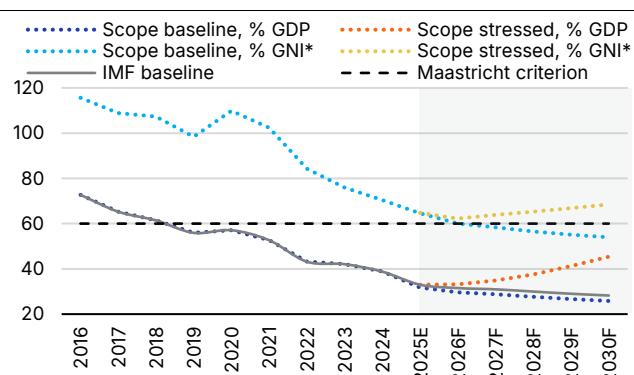
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Neutral	0	Prudent fiscal policies with self-imposed fiscal framework; setup of two long-term savings funds; sufficient fiscal responses to recent shocks
	Long-term debt trajectory	Strong	1/3	Declining public sector debt levels supported by high corporate tax revenue from multinational enterprises
	Debt profile and market access	Neutral	0	Strong market access and debt structure, large and liquid cash reserves, access to lenders of last resort

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

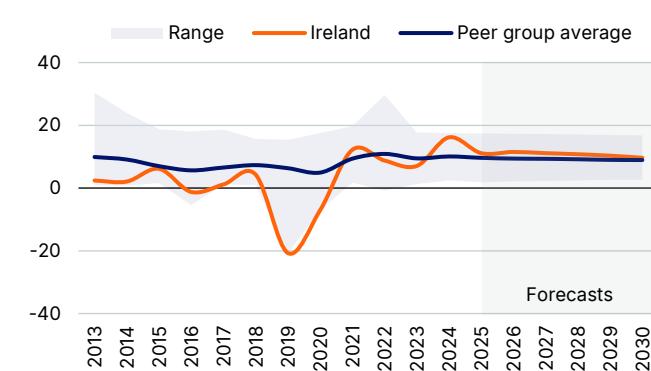
<sup>1</sup> Sovereign Quantitative Model

## External economic risk

### Overview of Scope's assessments of Ireland's *External Economic Risk*

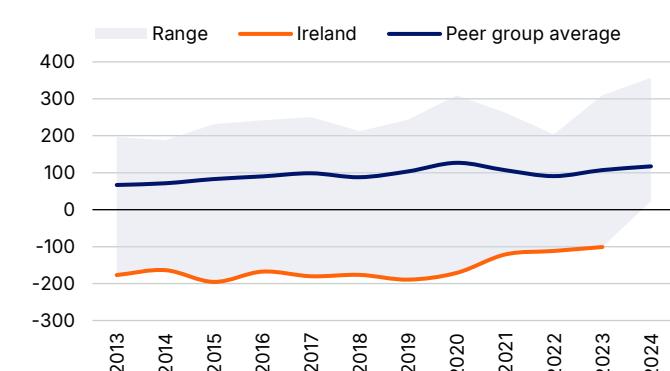
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb-	Current account resilience	Weak	- 1/3	Volatile current account due to contract manufacturing and intellectual property-related imports; attractive destination for FDIs but longer-term risks from a shift in multinationals' corporate structures
	External debt structure	Weak	- 1/3	External debt levels declining but still higher than those of peers; significant short-term external debt
	Resilience to short-term external shocks	Weak	- 1/3	Benefits from euro-area membership but exposed to global shocks as a small, opened economy

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



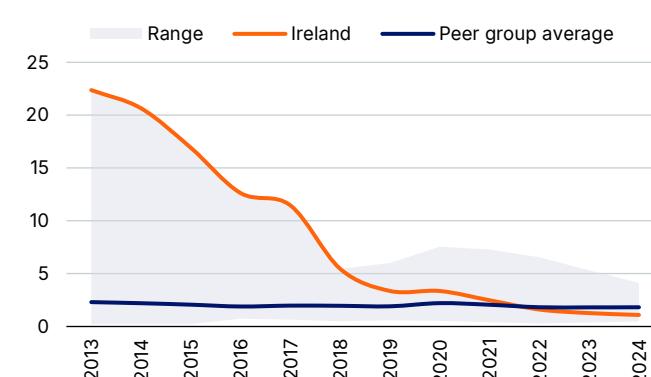
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of Ireland's *Financial Stability Risk*

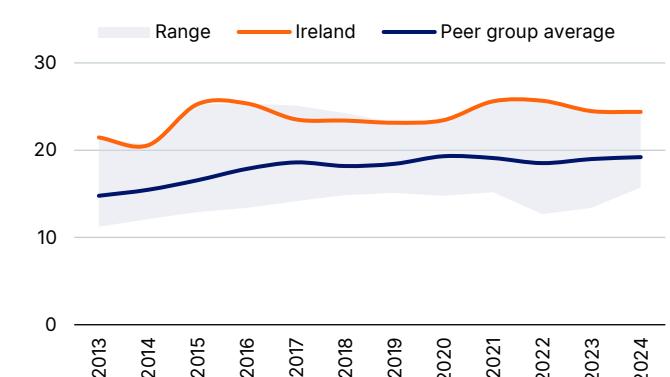
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Significantly improved banking-system resilience, based on robust financial ratios in line with peers
	Financial sector oversight and governance	Neutral	0	Oversight under the Central Bank of Ireland and the ECB as part of banking union; initiative to deliver a more effective and efficient regulatory framework
	Financial imbalances	Weak	- 1/3	Risks from global financial-market interconnections and large size of Irish financial system including non-bank sector

Figure 9: Non-performing loans (NPLs), % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



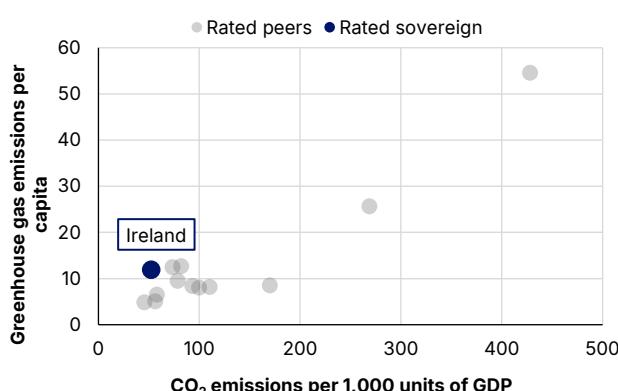
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Ireland's ESG Risk

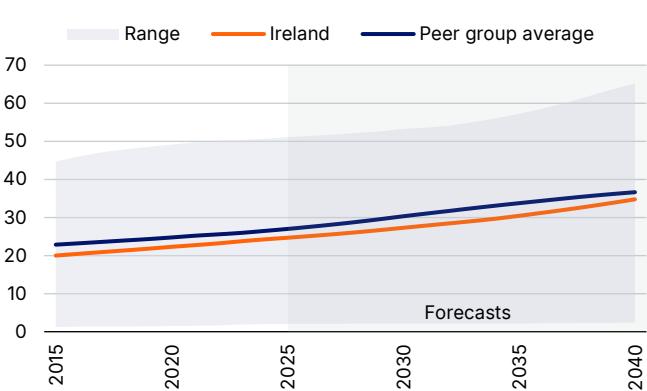
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aa+	Environmental factors	Neutral	0	Mixed record on environmental sustainability; however, ambitious climate action objectives
	Social factors	Weak	- 1/3	Favourable demographics relative to peers; pressure on local infrastructures and public services (education, transport, housing, healthcare)
	Governance factors	Neutral	0	Stable political environment; policy continuity expected until next election scheduled for end-2029

Figure 11: CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e (2024)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

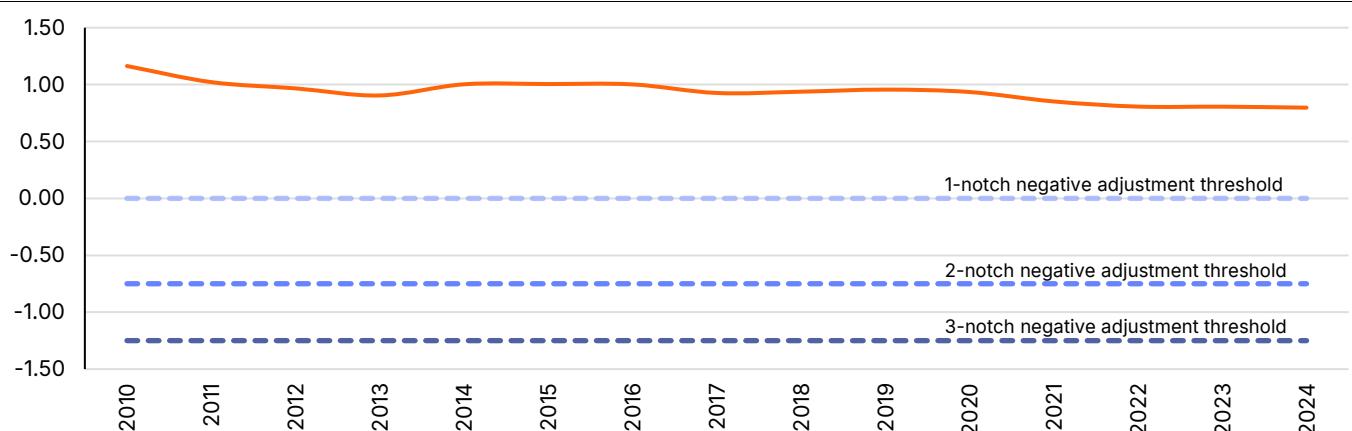
### IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 13: WB Political Stability & Absence of Violence/Terrorism index, Ireland, 3-year moving average



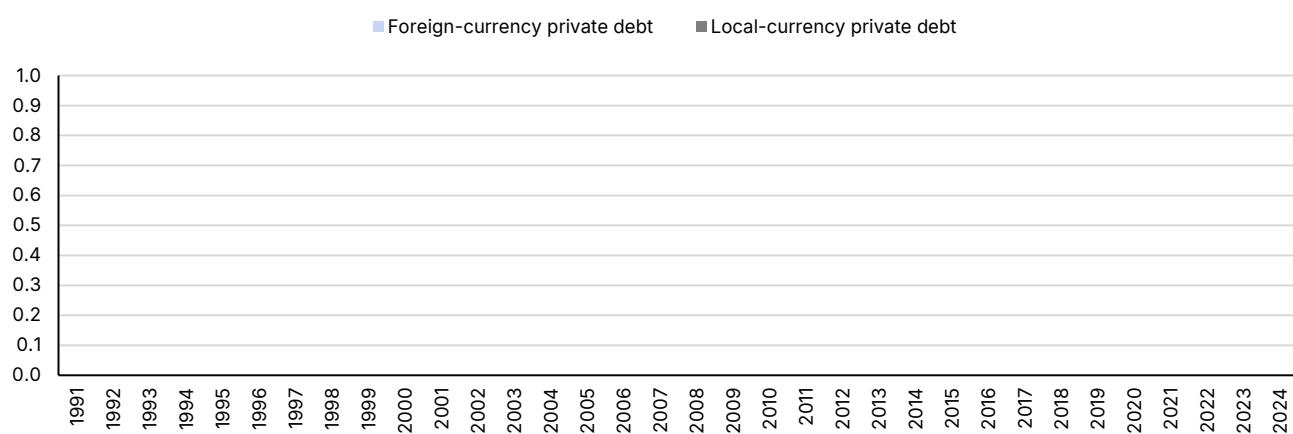
Source: WB, Scope Ratings

## Additional considerations

Some of Ireland's standard economic variables, including GDP, provide an inaccurate picture of domestic economic activity in the country due to the large multinational enterprise sector. To better reflect underlying economic activity, authorities calculate modified figures. For example, modified GNI (or GNI\*) adjusts the GDP figures to exclude net profits of companies that have been sent abroad, as well as depreciation on intellectual property, depreciation on leased aircraft and the net income of redomiciled PLCs (i.e. a company that owns large subsidiary companies which are still established overseas). To account for the modified economic variables, which are not fully captured by Scope's Sovereign Quantitative Model, one additional downwards notch is applied.

## Appendix 1. Sovereign default history

### Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).

Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

## Appendix 2. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Austria
Denmark
Germany
Luxembourg
Netherlands
Norway
Sweden
Switzerland

\*Select publicly rated sovereigns only; the full sample of sovereign-rating peers may be larger.

## Appendix 3. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bp) as of 22 January 2026

14.88

#### Appendix 4. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers, and may therefore differ from data from national and other international statistical series and may not immediately reflect latest national updates.

Pillar	Core variable	Source	2020	2021	2022	2023	2024	2025E
Domestic Economic	<b>GDP per capita (PPP)</b> , Int\$ '000s	IMF	97.4	115.9	130.4	129.6	134.0	147.9
	<b>Nominal GDP</b> , USD bn	IMF	436	531	549	568	609	709
	<b>Real growth</b> , %	IMF	7.2	16.3	7.5	-2.5	2.6	13.3
	<b>CPI inflation</b> , %	IMF	-0.5	2.4	8.1	5.2	1.3	2.1
	<b>Unemployment rate</b> , %	WB	5.6	6.4	4.5	4.2	4.3	-
Public Finance	<b>Public debt</b> , % of GDP	IMF	57.1	52.7	43.2	42.1	38.8	33.0
	<b>Net interest payment</b> , % of government revenue	IMF	4.5	3.3	2.7	1.9	1.4	1.5
	<b>Primary balance</b> , % of GDP	IMF	-3.9	-0.6	2.3	2.0	4.5	1.4
External Economic	<b>Current-account balance</b> , % of GDP	IMF	-7.1	12.2	8.8	7.0	16.2	11.1
	<b>Total reserves</b> , months of imports	WB	0.1	0.2	0.2	0.2	0.1	-
	<b>NIIP</b> , % of GDP	IMF	-171.0	-121.3	-111.7	-101.1	-	-
Financial Stability	<b>NPL ratio</b> , % of total loans	IMF	3.4	2.5	1.6	1.3	1.1	-
	<b>Tier 1 ratio</b> , % of risk-weighted assets	IMF	22.9	23.5	24.2	24.7	25.7	28.4
	<b>Credit to the private sector</b> , % of GDP	WB	32.3	26.5	25.4	25.2	23.8	-
ESG	<b>CO<sub>2</sub> per EUR 1,000 of GDP</b> , mtCO <sub>2</sub> e	EC	66.7	60.9	55.0	53.6	52.5	-
	<b>Income share of bottom 50%</b> , %	WID	21.5	21.4	21.4	21.4	-	-
	<b>Labour-force participation rate</b> , %	WB	71.9	74.8	76.5	77.2	77.5	-
	<b>Old-age dependency ratio</b> , %	UN	22.3	22.7	23.2	23.7	24.2	24.7
	<b>Composite governance indicators*</b>	WB	1.5	1.6	1.6	1.7	1.6	-
	<b>Political stability</b> , index	WB	0.9	0.9	0.8	0.8	0.8	-

\*Average of the following five World Bank Worldwide Governance Indicators: Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality.

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**Applied methodology**

[Sovereign Rating Methodology](#), January 2025

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