

Republic of Ireland

This annex refers to the release of the monitoring note of 5 November 2021

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		aaa
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Strong
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Neutral
	Debt sustainability	Weak
	Debt profile and market access	Neutral
20%	Current account resilience	Weak
	External debt structure	Weak
	Resilience to short-term shocks	Weak
20%	Banking sector performance	Neutral
	Banking sector oversight	Neutral
	Financial imbalances	Weak
20%	Environmental risks	Neutral
	Social risks	Weak
	Institutional and political risks	Neutral
QS adjustment (notches)		-2
Additional considerations (notches)		-1
Final rating		AA- STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020	2021F	2022F
GDP per capita (USD '000s), EOP	62.6	69.5	78.8	80.6	85.2	102.4	108.2
Real GDP, % change	2.0	8.9	9.0	4.9	5.9	14.9	5.7
Unemployment rate, %	8.4	6.7	5.8	5.0	5.8	6.9	6.6
CPI, % change	-0.2	0.3	0.7	0.9	-0.5	1.9	1.9
Policy rate, %, EOP*	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
General government balance, % of GDP	-0.8	-0.4	0.0	0.3	-5.0	-5.3	-2.4
General government debt, % of GDP, EOP	74.3	67.8	63.2	57.3	58.5	56.5	55.8
Current account balance, % of GDP	-4.2	0.5	4.9	-19.9	-2.7	11.1	8.8

Yearly averages except where stated otherwise. *Shown for the ECB deposit facility rate.

Source: Macrobond, IMF, Scope Ratings GmbH

Annex III: Economic development and default indicators

IMF Development Classification²

AE

5y USD CDS spread (bps) as of 5 November 2021

14.8

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scopeeratings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Ireland	November 2021	Assessment	Rationale
Peers*	Austria, Denmark, Finland, Germany, Luxembourg, Netherlands, Norway, Sweden, Switzerland		
Domestic economic risk	Growth potential	Strong	Strong growth potential, but uncertainty around longer-term impact of global tax reforms
	Monetary policy framework	Neutral	ECB is a highly credible and effective central bank; appropriate central bank response to the global crisis since 2020
	Macro-economic stability & sustainability	Weak	Economic structure subject to high volatility; exposure to global crises; reduced Brexit risk although exposure to changes of global corporate tax policy
Public finance risk	Fiscal policy framework	Neutral	Prudent fiscal policies with strong fiscal framework; appropriate fiscal response to Covid-19 crisis
	Debt sustainability	Weak	Debt trajectory vulnerable to adverse shocks
	Debt profile & market access	Neutral	Strong market access and debt structure; liquid cash reserves, access to lenders of last resort
External economic risk	Current account resilience	Weak	Volatile current account due to contract manufacturing and intellectual property-related imports; FDI inflows supported by Brexit but longer-term risks from global corporate tax rule changes
	External debt structure	Weak	External debt levels much higher than peers'; significant short-term external debt
	Resilience to short-term shocks	Weak	Benefits from euro-area membership but exposed to global shocks
Financial stability risk	Banking sector performance	Neutral	Significantly improved banking-system resilience over last decade, but Covid crisis has weakened bank balance sheets with full crisis effects still evolving
	Banking sector oversight	Neutral	Oversight under the Central Bank of Ireland and the ECB as part of Banking Union
	Financial imbalances	Weak	Elevated private-sector debt, risks from global financial-market interconnections and increasing size of Irish financial system
ESG risk	Environmental risks	Neutral	Mixed record on environmental sustainability; however, ambitious climate action objectives
	Social risks	Weak	Favourable demographics, but moderate income inequality and risks from social exclusion
	Institutional and political risks	Neutral	Stable political environment under the nation's first grand coalition

*Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard.

Additional consideration: 1-notch negative adjustment to capture distortions in Irish economic data that tend to overstate the performance of underlying fundamentals and credit metrics of Ireland in Scope's Core Variable Scorecard.