



NEWS RELEASE

No.2004-C-706
December 13, 2004

R&I Affirms AAA, Outlook Stable: Ireland LT Debt

Rating and Investment Information, Inc. (R&I) has affirmed the following ratings:

ISSUER: Ireland
Foreign Currency Long-term Credit Rating
Domestic Currency Long-term Credit Rating
R&I RATING: AAA (Affirmed)
RATING OUTLOOK: Stable

Foreign Currency Short-term Credit Rating
Domestic Currency Short-term Credit Rating
R&I RATING: a-1+ (Affirmed)

RATIONALE:

Ireland's economy enjoys strong growth and flexibility, and the government's fiscal base also remains strong. R&I has affirmed Ireland's Foreign and Domestic Currency Long-term Credit Rating at AAA, with a stable rating outlook.

Since the 1990s, Ireland has taken advantage of its geographical position between the United States and continental Europe to build a high-technology manufacturing base, and has joined the group of advanced countries. Boosted by the expansion of exports to the U.S., the real gross national product (GNP) growth rate in 2004 is expected to recover to 4.9% (gross domestic product (GDP) is projected to be 5.3%). Real GNP growth is expected to continue in the range of 4-5% annually in 2005 and thereafter as well. This is because the labor force is expanding as women take on a greater role in society and Ireland accepts more immigrants, and investment is forecast to expand in high-tech sectors such as pharmaceuticals and electronics and in housing as the population grows. The government also plans to continue investment in public works, equivalent to 5% of GNP per annum, for social infrastructure improvements such as highways and electricity. Over the medium term Ireland appears capable of maintaining the strength of its global competitiveness, given the improvement in labor productivity from the shift to a higher value-added economy and moves by the entire industrial sector to restrain wage increases. Although it will be necessary for the time being to follow carefully negative factors such as the stronger euro and higher crude oil prices, the negative impact on Ireland's economy is likely to be minor.

Given the excellent economic environment, the outlook for the general government fiscal deficit in 2005 is 0.8% as a percentage of GDP. Although the average age of the population is still young and Ireland does not face a situation in which the social security burden is pressing fiscal administration, in 2001 the government established a national pension reserve fund to prepare for the future aging of the population. Each year the fund will accumulate an amount corresponding to 1% of GNP, and funds cannot be drawn down until 2025. The contributions to the fund are not directly from fiscal resources, but it is a factor increasing public debt. Nevertheless, the general government debt balance at the end of 2003 was 32.1% of GDP, making Ireland one of the countries with the lowest public debt burden among advanced nations.

R&I RATINGS:

ISSUER: Ireland
Foreign Currency Long-term Credit Rating
R&I RATING: AAA (Affirmed)

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RATING OUTLOOK: Stable

R&I RATING: Domestic Currency Long-term Credit Rating
AAA (Affirmed)
RATING OUTLOOK: Stable

R&I RATING: Foreign Currency Short-term Credit Rating
a-1+ (Affirmed)

R&I RATING: Domestic Currency Short-term Credit Rating
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