FitchRatings

FITCH AFFIRMS IRELAND'S 'AAA' RATINGS

Fitch Ratings-London-25 July 2005: Fitch Ratings, the international rating agency, has today affirmed the Republic of Ireland's Long-term and Short-term foreign currency ratings of 'AAA' and 'F1+', respectively. At the same time the agency affirmed the Long-term local currency rating and Country Ceiling of 'AAA'. The Outlook on the ratings remains Stable.

Ireland's credit ratings derive support from the strong performance of public finances, net external creditor status (on a contractual debt basis), high per capita income and the outlook for continued impressive economic growth rates, albeit below the dizzying rates seen in the 1990s. Fitch notes that a combination of factors, including sound policy choices, low and attractive tax rates, large net inflows of foreign direct investment ("FDI") and increases in labour utilisation and strong productivity growth, have all supported an impressive increase in per capita incomes during the past decade or so. On a purchasing power parity basis, per capita gross national income ("GNI") grew from little over USD13,000 in 1994 to USD33,170 in 2004, and even more impressively on a GDP per capita basis. Among the 12 euro area countries, only Luxembourg has a higher GNI per capita.

"The challenge for Ireland now is to adjust as the economy shifts to a lower GDP growth path of around 4%-5% per annum from average rates of close to 10% in the second half of the 1990s", said David Heslam, Associate Director in Fitch's sovereign department. Fiscal policy has adjusted well. Aside from a small deficit in 2002, the general government balance has remained in surplus, again surprising on the upside in 2004. Fiscal discipline is well entrenched and government finances should continue to compare well with peers. A continuing primary surplus will contain debt at around 30% of GDP while allowing the government to continue to build up assets in the National Pensions Reserve Fund ("NPRF"). This compares well with 'AAA' rated peers, where the median general government debt ratio is 20 percentage points higher.

Other indicators, however, suggest that some parts of the wider economy may yet have to fully adjust to the lower growth outlook. Private sector credit growth remains buoyant. Following a slowdown from early 2000, the year-on-year growth in private sector credit began accelerating again in the last quarter of 2003, with monthly year-on-year growth rates exceeding 20% since June 2004. While other forms of lending have also increased, mortgage credit growth remains the driver of overall borrowing, and has been associated with strong house price inflation. Meanwhile, the policy debate is likely to turn to ways of maintaining Ireland's competitive edge in the face of intense competition for foreign investment, and to increasing domestic competition and flexibility. While the strengthening of the euro against the USD dollar during the past two years supported the convergence of Ireland's inflation rate with the eurozone average, past cumulative increases mean that prices in the Republic are the highest in the euro-area, and the third highest in the European Union.

Contact: David Heslam, London, Tel: +44 (0)20 7417 4384; Chris Pryce, London, Tel: +44 (0)20 7417 4342.

Media Relations: Jon Laycock, London, Tel: +44 20 7417 4327.