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Research

## Summary: Ireland (Republic of)

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Credit Rating AAA/Stable/A-1+

### ■ Rationale

On Sept. 5, 2002, Standard & Poor's Ratings Services affirmed its triple-'A' long-term sovereign credit ratings on the Republic of Ireland. The outlook on the long-term ratings is stable. At the same time, Standard & Poor's affirmed its 'A-1'-plus short-term ratings on Ireland. The affirmation reflects the government's considerable budget flexibility; a modest public debt burden; and Ireland's resilient, modern, highly diversified, and export-orientated economy.

Notwithstanding the sharp fall in the general government surplus, budget flexibility remains substantial in light of fiscal consolidation over the past decade. Slower economic growth has focused policymakers' attention on expenditure discipline, which is central to maintaining a broadly balanced budget and sustaining further reductions in the debt burden. At 34% of GDP, Ireland's general government debt burden is 12 percentage points lower than the 'AAA' median, and the second lowest among Eurozone member states. In addition, the sustained build-up of assets in the National Pension Reserve Fund (NPRF) provides ample fiscal flexibility to meet the challenge of an ageing population.

These strengths, in addition to pragmatic economic policies and EMU membership, outweigh the inherent vulnerabilities posed by a comparatively small, open economy. Over the past decade, technology-oriented investment, a favorable demographic profile, and rising skill levels, have sustained real and nominal convergence with Ireland's wealthier EMU partners. Although economic links with the core EU economies are weaker than in other EMU member states, growth in high-technology industries—characterized by strong competition and short product life cycles—has diversified the export base, and strengthened the resilience of the economy, enabling Ireland to adjust to changing economic circumstances without major disruption to product and factor markets.

### ■ Outlook

Over the medium term, Ireland's very strong credit standing should remain secure against nearly all foreseeable downside economic, political, and financial risks.

### ■ Ratings List

Republic of Ireland

Sovereign credit ratings AAA/Stable/A-1+

Commercial paper A-1+

Senior unsecured debt AAA

A complete list of rating actions is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). They are also available on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Rating Actions, select Newly Released Ratings Listings. Alternatively, call the Standard & Poor's Ratings Desk in London on (44) 20-7847-7400.

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