



# NEWS RELEASE

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

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

**ISSUER: Ireland  
Foreign Currency  
and Domestic Currency Long-term Credit Rating**

**R&I RATING: AAA  
RATING OUTLOOK: Stable**

**Foreign Currency  
and Domestic Currency Short-term Credit Rating**

**R&I RATING: a-1+**

### **RATIONALE:**

While the pace of its economy has slowed, Ireland's financial system remains healthy and its fiscal base is on solid footing. R&I is affirming Ireland's Foreign and Domestic Currency Long-term Credit Rating at AAA, with a stable rating outlook.

Under the influence of a delayed recovery in global telecommunications-related demand and the strong euro, Ireland's exports, which in the past fulfilled the role of a growth engine, have decelerated recently. Enterprise capital investment has also cooled. On the positive side, however, looking at the population by age bracket the increase in the number of households is expected to continue for the time being, and new housing starts are growing at a steady rate. Although the unemployment rate on a seasonally adjusted basis had risen to 4.9% at the end of August 2003, it is still some way off a level that will dampen strong personal consumption. Real economic growth is therefore expected to be 2-3% by 2005. Efforts to keep a lid on wage hikes in industrial circles are also spreading. The result is expected to be a lessening of pressures to raise prices, which R&I believes will enable Ireland's manufacturing sector to maintain its strong global competitiveness in products such as personal computers, telecommunications equipment and pharmaceuticals. Furthermore, the upward trend in the real estate market is expected to continue for the time being, with only a small likelihood of shaking the business foundations of Ireland's banks, which boast sound management health.

As the economy slows, the growth in tax revenues is decreasing. General government fiscal revenues and expenditures compared to GDP (gross domestic product) are expected to lead to deficits of 0.4% in 2003 and 1.1% in 2004. However, as the ratio for the general government annual revenue against nominal GDP is forecast to remain as low as 32% in 2003, the negative influence a recession will have on the government's annual revenues and expenditures will therefore be comparatively small. With the average age of its population somewhat young, it is difficult to envision a scenario in which the social security-related expenditure burden will put pressure on government finances in the near term. Nevertheless, to prepare for the future aging of the population, the government established a pension reserve fund in 2001 and will set aside an amount equivalent to 1% of GNP (gross national product) annually until 2025.

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**R&I RATINGS:**

**ISSUER:** Ireland  
Foreign Currency Long-term Credit Rating

**R&I RATING:** AAA (Affirmed)

RATING OUTLOOK: Stable

Domestic Currency Long-term Credit Rating

**R&I RATING:** AAA (Affirmed)

RATING OUTLOOK: Stable

Foreign Currency Short-term Credit Rating

**R&I RATING:** a-1+ (Affirmed)

Domestic Currency Short-term Credit Rating

**R&I RATING:** a-1+ (Affirmed)