

Country Insight Snapshot Ireland

June 2018





OVERVIEW

OVERALL COUNTRY RISK RATING: DB3a

Slight risk : Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

Rating Outlook: Improving

CORE OUTLOOK

- + The Irish economy has the potential to expand faster than the EU average given its skilled workforce, low taxes and membership of the euro area.
- + Ireland's effective rate of corporation tax remains at 12.5% and compares very favourably with other European countries such as the UK and Germany.
- + There are few legal or bureaucratic barriers to investors entering the Irish market.
- Flooding is common and can cause significant disruption to transportation services and electricity supply, including in urban areas.
- Long-term economic potential could be undermined by Brexit.

KEY DEVELOPMENT

A recent payment study reveals that Irish companies' payment performance improved in 2017, but that it remains well below the European average.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Improving

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

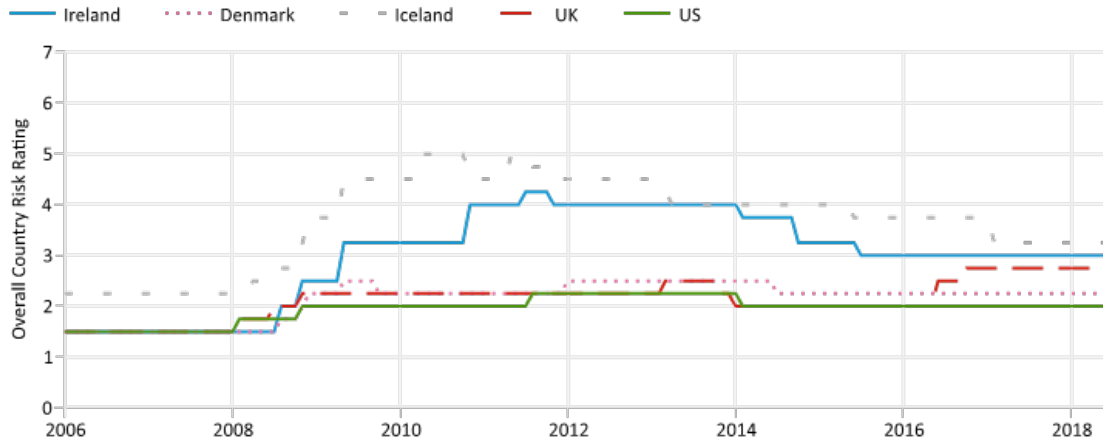
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

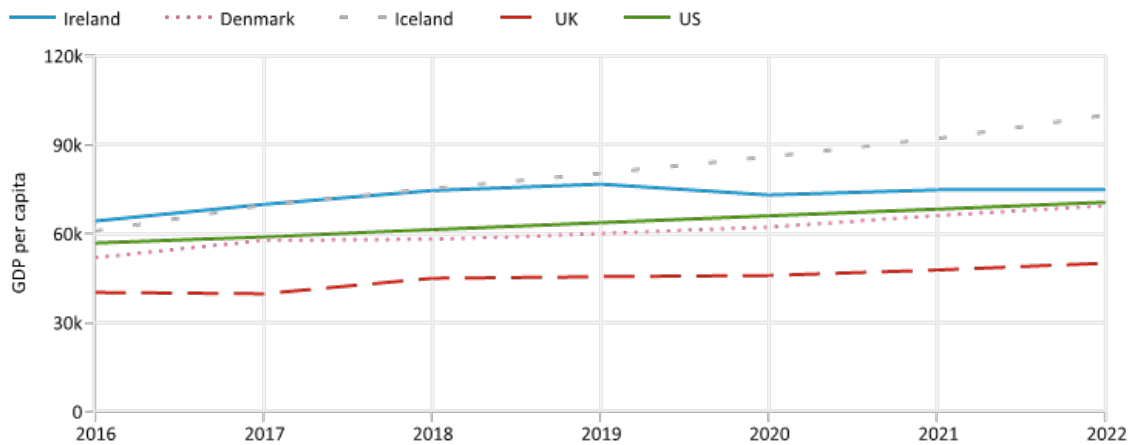
Rating History and Comparison



Source : Dun & Bradstreet

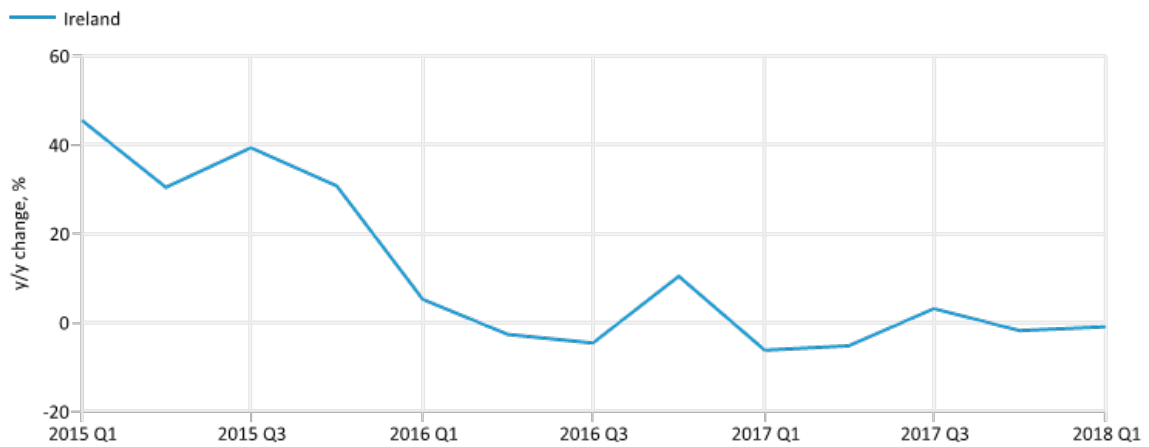
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	11.0	3.9	12.5	2.7	2.6	2.7	2.6	2.6
Govt balance, % GDP	-1.9	-0.5	-0.3	-0.2	0.5	1.0	1.5	1.5
Inflation, annual avge %	0.0	0.0	0.3	0.4	0.8	1.0	1.2	1.3
Real GDP Growth, %	25.5	5.1	7.8	6.0	4.0	5.8	5.8	6.0
Unemployment, %	10.0	8.4	6.7	5.6	5.4	5.2	5.0	5.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Although it slipped one position in the World Economic Forum's recently published *Global Competitiveness Report*, Ireland remains one of the most competitive economies in the world, ranking 24th overall (out of 137 countries). The country has low tax rates, an excellent work ethic, minimal crime and corruption, and a high degree of policy stability, all of which reduce operating costs for businesses, while an educated population allows firms to provide high value-added products and services. Under pressure from the European Commission, the government has been pushing through a number of key changes such as welfare reform and a restructuring of some state-owned enterprises, which will continue to boost Ireland's competitiveness.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 1-3 months

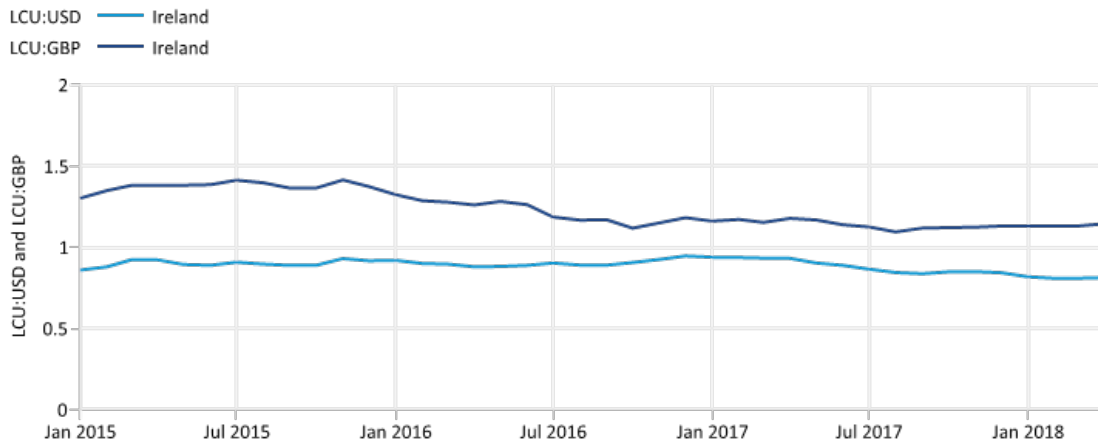
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



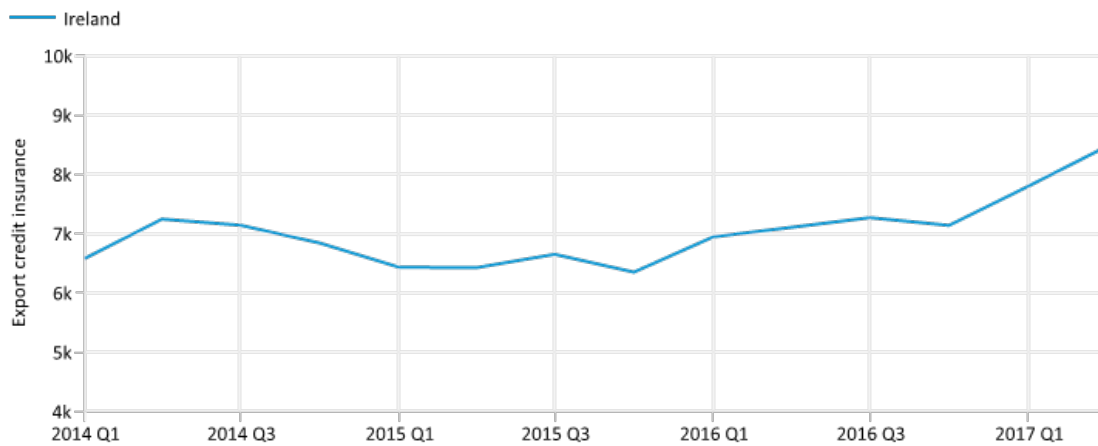
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm; part of the increase going into 2017 is due to methodology changes.



RISKS AND OPPORTUNITIES

Market Potential

Payment performance improves

The latest Cribis *Payment Study* report reveals that Irish companies' payment performance improved in 2017, but it remains well below the European average. Indeed, only 27.3% of Irish businesses paid their suppliers on time (up by 0.9 percentage points compared to 2016), versus a European average of 41.7%. Moderate late payments ('Up to 30 days') accounted for 60% of total payments, while intermediate late payments ('30-60 days' and '60-90 days') accounted for 7.6% of the total. The share of payments over 120 days increased to 3.3% of total payments, up from 2.4% in 2016. Cribis's study also shows that larger businesses continue to squeeze their suppliers by paying in a much slower manner than their smaller counterparts. The differential in payment habits between the former and the latter is significant: 11.7% as opposed to some 36.4%. Data broken down by sector paints a more homogeneous picture: 28.0% of companies working in the financial services, retail trade and services sectors paid their suppliers on time; this percentage drops to 24.8% for companies in the mining sectors, and to 19.5% for companies in the transport and distribution sectors.

In almost all the sectors of the economy, there is a tendency for payments to be made between 1 and 30 days beyond the due date, with values ranging between 50.2% for the retail trade sector and 69.9% for the agriculture, forestry, hunting and fishing sector. In the intermediate late payment class (between 30 and 90 days) there is a predominance of companies working in the mining sector (11.1%), followed by businesses in the retail trade sector (10.1%). The latter is also the sector that recorded the highest percentage of serious late payments (over 90 days): 9.8% of total payments were cleared 90+ days beyond the due date.

Short-Term Economic Outlook

Growth deceleration in Q1 likely

High-frequency indicators continue to paint a mixed picture and suggest a slowdown in the pace of economic growth in Q1. Ireland's industrial production dropped 9.7% y/y in March (or by 0.9% q/q), following a downwardly revised 0.6% y/y fall in the previous month. Data broken down by sector reveals that manufacturing output shrank by 9.9% y/y (after falling by 0.2% in February); output in mining & quarrying went down by 0.5% y/y, while supply of electricity, gas and steam contracted by 4.9% y/y. On a more positive note, retail sales went up by 4.8% y/y in April. Meanwhile, labour market conditions improved further in April, when the unemployment rate dropped to a decade low, reflecting a strong labour market demand resulting from continued growth of the Irish economy over the last few years: the unemployment rate stood at 5.9%, according to the data released by the country's national statistics bureau, CSO. Elsewhere, economic growth seems not to be feeding through into higher prices: consumer prices dropped 0.4% y/y in April, following a 0.2% y/y increase in March.



COUNTRY PROFILE AND STATISTICS

Overview

The Republic of Ireland is located on an island to the west of the UK. It shares the island with Northern Ireland, which is a constituent country of the UK; the Republic of Ireland was founded in 1922 after gaining independence from the UK.

In recent years, the economy has transformed from having an agricultural focus and is now becoming dominated by trade, industry and investment. Ireland has an investor-friendly business environment. Strong economic growth in 2004-08 was driven by a buoyant construction sector, but the mid-2007 housing market downturn, coupled with the financial crisis, brought investment activity and economic growth to a halt, exposing large imbalances in the public sector.

The political environment is reasonably stable. One long-standing feature of Irish politics is the relationship with Northern Ireland and the conflict that took place there in the twentieth century. However, the advent of the Good Friday Agreement in 1998, and the return of devolved power to Northern Ireland in 2007, mean that peace has returned and the issue has become less potent; this could change in the wake of the UK's Brexit vote.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Leo VARADKAR
Capital	Dublin
Timezone	GMT
Official languages	Irish, English
Population (millions)	4.8
GDP (USD billions)	333.4
GDP per capita (USD)	70,020
Life expectancy (years)	81.2
Literacy (% of adult pop.)	99.9
Surface area (sq km)	70,280

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017
Real GDP growth (%)	1.6	8.3	25.5	5.1	7.8
Nominal GDP in USDbn	239	258	290	304	333
Nominal GDP in local currency (bn)	180	194	262	275	296
GDP per Capita in USD	51,051	54,984	61,745	64,396	70,020
Population (year-end, m)	4.7	4.7	4.7	4.7	4.8
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.9	0.9	0.9
Current Account in USDbn	5.0	4.3	31.8	12.0	41.7
Current Account (% of GDP)	2.1	1.7	11.0	3.9	12.5
FX reserves (year-end, USDbn)	331.0	327.6	333.9	344.4	353.2
Import Cover (months)	1.3	1.3	1.5	1.5	1.4
Inflation (annual avge, %)	0.5	0.3	0.0	0.0	0.3
Govt Balance (% GDP)	-6.1	-3.6	-1.9	-0.5	-0.3

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	6.0	4.0	5.8	5.8	6.0
Nominal GDP in USDbn	359	372	358	369	372
Nominal GDP in local currency (bn)	290	295	300	305	310
GDP per Capita in USD	74,698	76,836	73,189	74,921	74,969
Population (year-end, m)	4.8	4.8	4.9	4.9	5.0
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	9.8	9.5	9.5	9.5	9.6
Current Account (% of GDP)	2.7	2.6	2.7	2.6	2.6
FX reserves (year-end, USDbn)	384.2	403.8	424.4	441.6	459.5
Import Cover (months)	1.3	1.3	1.3	1.3	1.3
Inflation (annual avge, %)	0.4	0.8	1.0	1.2	1.3
Govt Balance (% GDP)	-0.2	0.5	1.0	1.5	1.5

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Ireland	Denmark	Iceland	UK	US
Income per Capita (USD)	74,698	58,237	75,345	45,076	61,495
Country Population (m)	4.8	5.8	0.3	66.6	326.8
Internet users (% of population)	82.2	97.0	98.2	94.8	76.2
Real GDP Growth (% p.a., 2018 - 2027)	2.0 - 4.5	1.4 - 2.3	1.5 - 3.2	1.8 - 3.5	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



LINKS

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