

# Country Insight Snapshot Ireland

March 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

Partial data for 2017 suggests that real GDP may have expanded at its fastest rate of annual growth in fourteen years.

### 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

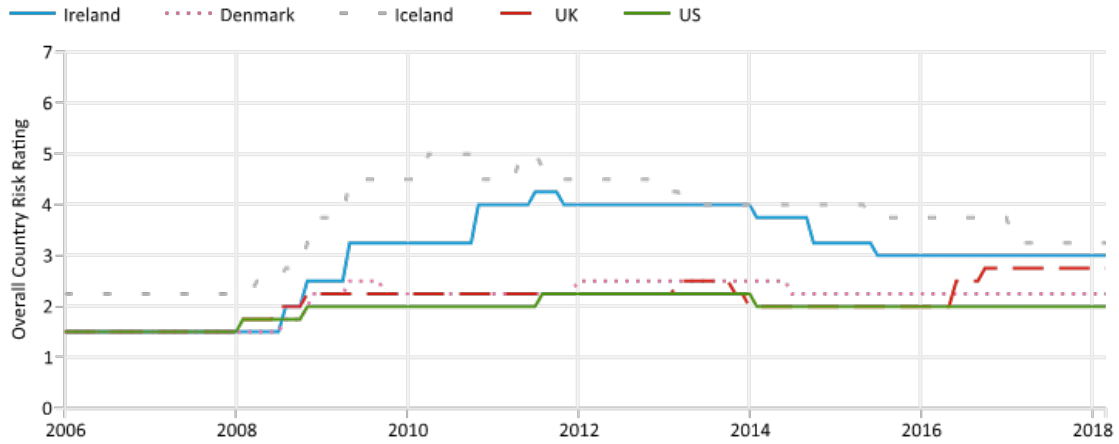
**Trend:** Stable

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

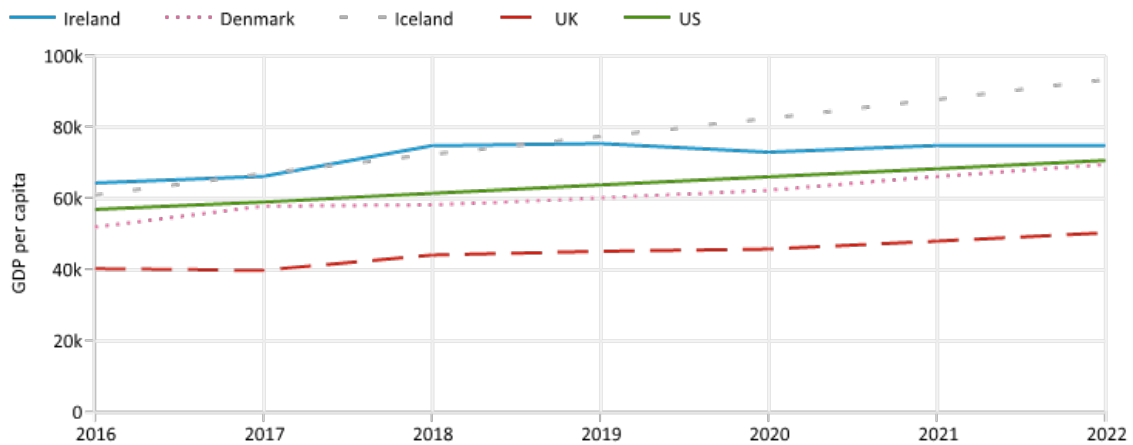
### Rating History and Comparison



Source : Dun & Bradstreet

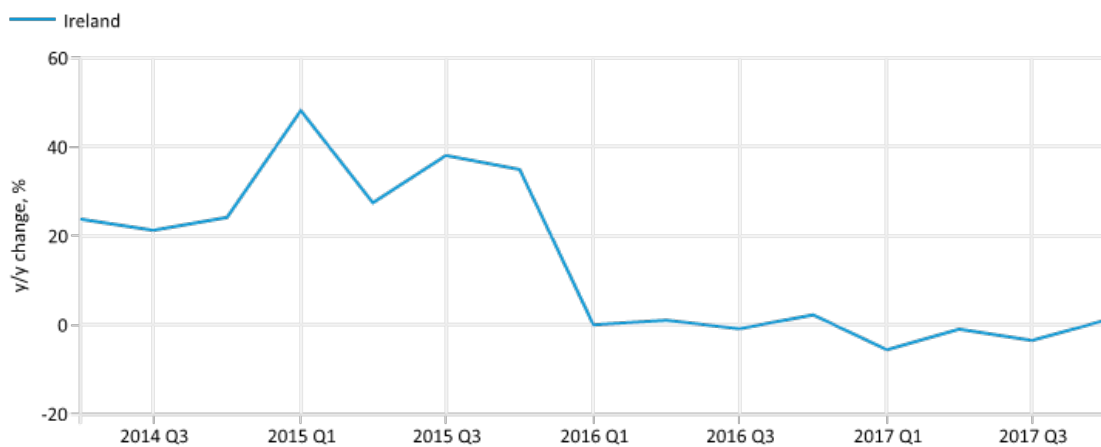
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



## Economic Indicators

Indicator	2015	2016	2017e	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	10.0	4.6	3.1	2.7	2.6	2.7	2.6	2.6
Govt balance, % GDP	-2.0	-0.6	-0.8	-0.5	0.5	1.0	1.5	1.5
Inflation, annual avge %	0.0	0.0	0.3	0.8	1.0	1.2	1.3	1.3
Real GDP Growth, %	25.5	5.1	6.8	6.0	6.0	5.8	5.8	6.0
Unemployment, %	9.5	7.9	6.3	6.0	5.8	5.6	5.4	5.2

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

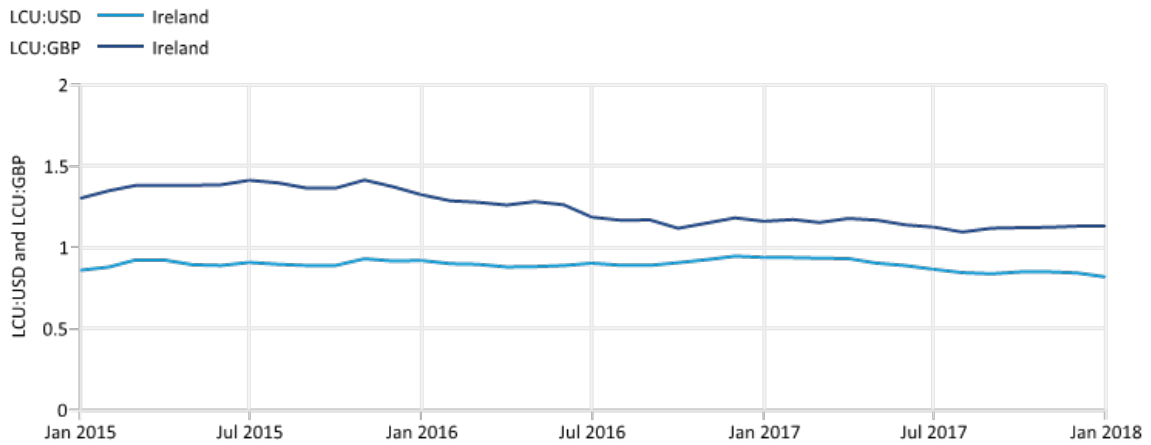
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



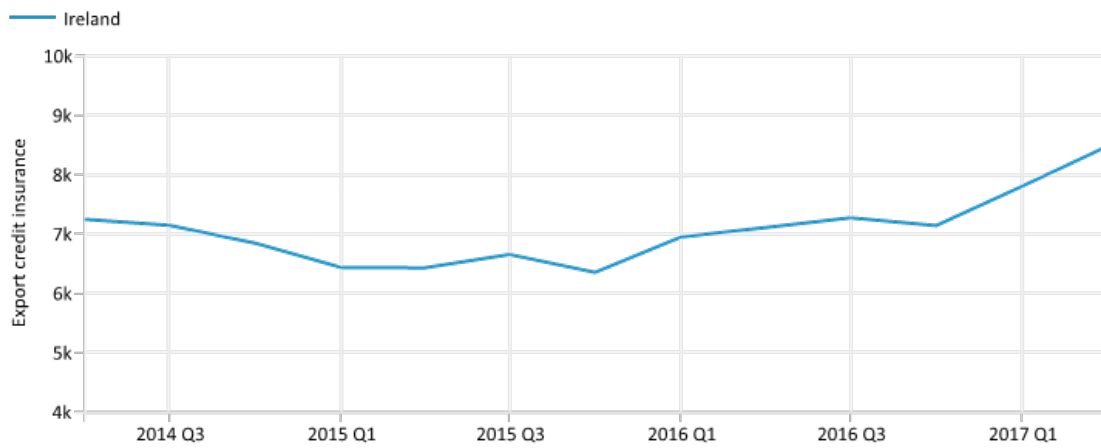
## Exchange Rate



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

### Short-Term Economic Outlook

#### ***Record-high growth likely***

Partial data for 2017 suggests that real GDP might have grown at its fastest annual rate in fourteen years (barring the post-revision upsurge of 25.5% recorded in 2015). Indeed, we expect domestic product to have expanded by some 6.9% last year as a pick-up in private consumption, boosted by higher real disposable income and lower unemployment, provided a sizeable boost to the recovery. Strong growth in consumer spending is being favoured by the continuing growth in employment against a backdrop of lower inflation and energy costs, which supported household real disposable income. The harmonised index of consumer prices (HICP) rose by a modest 0.3% y/y in January (and by 0.5% y/y in December); core inflation (which strips out more volatile items such as energy and food) accelerated slightly, rising by 0.3% y/y in Q4, up from 0.1% y/y in Q3 (but in 2017 core inflation recorded flat growth, after rising by 0.5% y/y in 2016).

Data from industry and retail sector is consistent with overall improved macroeconomic conditions. Official statistics show that retail sales volume grew by 86.4% y/y in Q4 (and by 4.2% in 2017 as a whole); sales volumes went up by 7.4% y/y if the motor trade is excluded from the indicator. Retail sales tend to be well-correlated to real private consumption, which suggests that the latter may also have recorded robust growth in the three months to December. Similarly, industrial production rose by 1.2% y/y in the last quarter of 2017: since the indicator tends to track GDP growth, this also suggests that economic growth is likely have continued into Q1 2018. January survey-based indicators broadly point to a continued improvement going forward. Markit's reports reveal that activity expanded at a robust pace in the services and construction sectors. In particular, the Irish service sector made a strong start to 2018 as faster growth of new business resulted in another sharp increase in activity; companies continued to take on extra staff at a marked pace, albeit one that was the weakest in eight months. Meanwhile, the Ulster Bank Construction PMI rose to 61.4 in January (from 58.0 in December), signalling a substantial monthly increase in total activity, and the fastest since May 2017, according to Markit.

### Business Regulatory Environment

#### ***Corruption perception is low***

The rule of law in Ireland is strong. The country is amongst the cleanest in the world in terms of the corruption, ranking a respectable 19th out of 180 countries in Transparency International's *Corruption Perceptions Index 2017*, and investors do not need to make irregular payments or pay bribes. Crime is minimal and the police service is reliable in investigating criminal acts. Meanwhile, the judiciary is independent and relatively efficient, making it an effective vehicle for challenging regulations and settling legal disputes. According to the World Bank's 2018 *Doing Business* report, the process of enforcing contracts typically costs only 26.9% of the claim, although the process typically takes 22 months to complete.



## 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)	315.6
GDP per capita (USD)	66,282
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	2017e
Real GDP growth (%)	1.6	8.3	25.5	5.1	6.8
Nominal GDP in USDbn	239	258	290	304	316
Nominal GDP in local currency (bn)	180	194	262	275	280
GDP per Capita in USD	51,051	54,984	61,745	64,396	66,282
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	29.1	13.9	9.8
Current Account (% of GDP)	2.1	1.7	10.0	4.6	3.1
FX reserves (year-end, USDbn)	331.0	327.6	333.9	344.4	354.3
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)	-5.7	-3.7	-2.0	-0.6	-0.8

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	6.0	6.0	5.8	5.8	6.0
Nominal GDP in USDbn	360	366	357	369	372
Nominal GDP in local currency (bn)	290	295	300	305	310
GDP per Capita in USD	74,858	75,467	73,036	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)	372.4	391.4	411.3	428.0	445.4
Import Cover (months)	1.3	1.3	1.3	1.3	1.2
Inflation (annual avge, %)	0.8	1.0	1.2	1.3	1.3
Govt Balance (% GDP)	-0.5	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)	74,858	58,237	72,486	44,159	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





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