Decide with Confidence

D&B Country RiskLine Report

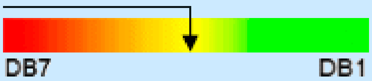
# IRELAND

**Region : Western Europe**

**Edition : October 2013**

## D&B Country Risk Indicator

# DB4a




**This "DB" Rating Indicates:**

**Moderate risk**

Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

**Trend**

**Stable**

The country's overall risk profile has not changed appreciably, even though some minor changes to its political, commercial, economic and/or external risk environment may have occurred

The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

> *Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;
>
> *Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;
>
> *External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;
>
> *Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

| | |
|---|---|
| **Population**: | 4.5m |
| **Surface area (sq km)**: | 70,280 |
| **Capital**: | Dublin |
| **Timezone**: | GMT |
| **Official languages**: | Irish, English |
| **Head of government**: | Prime Minister Enda KENNY |
| **GDP (USD)**: | 205.3bn |
| **GDP per capita (USD)**: | 45,918 |
| **Life expectancy (years)**: | 80 |
| **Literacy (% of adult pop.)**: | 99.9 |

**Country 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 an agricultural focus to become 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; however, since mid-2007 a housing market downturn, coupled with the financial crisis, has caused investment activity and economic growth to halt, and exposed 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 recent decades. However, the advent of the Good Friday Agreement in 1998 and the return of devolved power in 2007 mean that peace has returned and the issue has become less potent.

## Trade & Commercial Environment

### Trade Terms

| | |
|---|---|
| **Minimum Terms:** | SD |

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

| | |
|---|---|
| **Recommended Terms:** | LC |

D&B'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.

### Transfer Situation

| | |
|---|---|
| **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.

**Trade & Commercial Environment**

The World Bank's *Doing Business 2013* report ranks Ireland 15th out of 185 countries for the ease of doing business. Although the country slipped by five positions compared with its 2012 ranking, Ireland generally remains a conducive place in which to do business, and features among the top ten countries with respect to starting a business, protecting investors, paying taxes and resolving insolvencies. 'Dealing with construction permits' is the sub-index of the report in which Ireland obtains its lowest ranking. Despite the positive regulatory climate, weak domestic demand means that overall trading conditions are challenging. Defaults are still common in the aftermath of country's property collapse; insolvencies were up by 7.5% year on year in the first seven months of 2012.

## Export Credit Agencies

| | |
|---|---|
| **US Eximbank** | Full cover available |
| **ECGD** | Full cover available |
| **Euler Hermes UK** | Full ST cover available |
| **Atradius** | Full cover available |

## Economic Indicators

| | 2010 | 2011 | 2012 | 2013f | 2014f |
|---|---|---|---|---|---|
| **Real GDP growth, %** | -0.4 | 1.1 | 0.2 | 0.4 | 1.5 |
| **Inflation, annual ave, %** | -1.6 | 1.2 | 1.9 | 0.6 | 1.5 |
| **Govt balance, % GDP** | -30.8 | -13.4 | -7.6 | -7.5 | -5.5 |
| **Unemployment, %** | 13.9 | 14.7 | 14.7 | 14.5 | 13.5 |
| **C/A balance, % GDP** | 0.5 | 0.1 | 5.1 | 5.6 | 5.7 |

Inflation and unemployment are based on EU-harmonised data.

## Currency Information

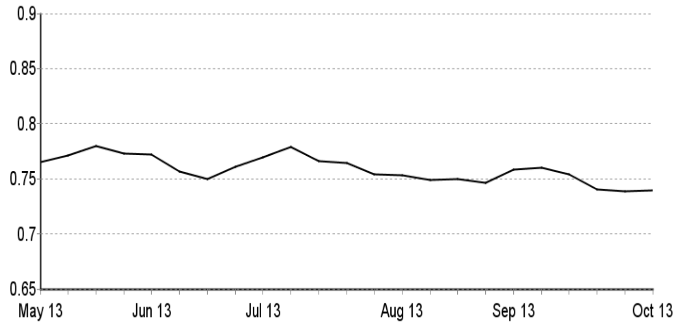
**Exchange Rates**
(London, 09 Oct 13)

| | |
|---|---|
| GBP | 1.1787 |
| JPY* | 0.7612 |
| USD | 0.7398 |

*(x 100)

Local Currency

(Euro [EUR]: USD)

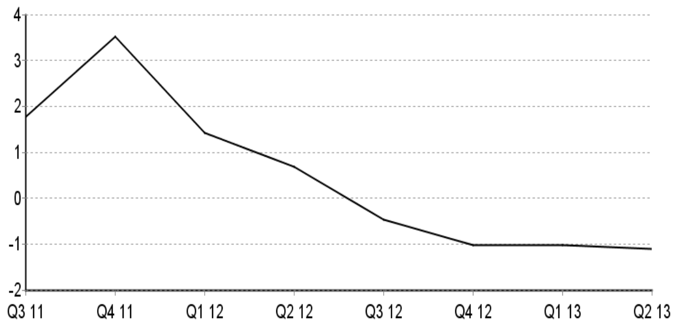



| Local Currency (Euro [EUR]: USD) | | | | | | |
|---|---|---|---|---|---|---|
| | May 13 | Jun 13 | Jul 13 | Aug 13 | Sep 13 | Oct 13 |
| **Week 1** | 0.765 | 0.772 | 0.769 | 0.753 | 0.758 | 0.740 |
| **Week 2** | 0.771 | 0.756 | 0.779 | 0.749 | 0.760 | |
| **Week 3** | 0.780 | 0.750 | 0.766 | 0.750 | 0.754 | |
| **Week 4** | 0.773 | 0.761 | 0.764 | 0.746 | 0.740 | |
| **Week 5** | | | 0.754 | | 0.738 | |

## Real GDP Growth

Real GDP Growth

(y/y change, %)




| Data Table | | | | | |
|---|---|---|---|---|---|
| **Q4 11** | **Q1 12** | **Q2 12** | **Q3 12** | **Q4 12** | **Q1 13** |
| 3.52 | 1.42 | 0.69 | -0.47 | -1.02 | -1.03 |

## Risk Factor

Ireland's short-term outlook remains uncertain and risks to our forecasts are tilted to the downside. Real GDP contracted by 1.1% in year-on-year (y/y) terms in Q2, after sliding by 1.0% y/y in the previous quarter. The contraction was mainly due to a drop in private consumption, although public consumption and net exports also detracted from the domestic product. Positively, gross fixed capital formation (GFCF) recorded a modest increase after plummeting by almost 20.0% y/y in Q1. Overall, private and public consumption fell by 1.0% y/y and by 1.6% y/y, respectively; GFCF climbed by 1.0% y/y, while exports and imports of goods and services increased by 1.0% y/y and by 2.5% y/y, respectively. Major impediments to near-term growth are ongoing budget austerity (as a result of the financial crisis that triggered the recession in 2008), lack of credit and still-weak (albeit improving) labour-market conditions, with its downward pressure on household income and spending. We believe that real GDP will increase by 0.4% in 2013 and by 1.5% in 2014. However, we could revise our forecasts downwards as both internal and external downside risks remain strong.

Meanwhile, the majority of high-frequency indicators stand at levels that are well short of heralding a sustainable recovery, although forward-looking indicators point to a progressive rebound in activity towards the end of Q3. After expanding by 3.1% y/y in June, industrial production slumped by 7.6% y/y in July, dragged down by an 8.7% y/y drop in consumer goods and by an average 4.2% contraction in intermediate and capital goods. Over the same period, manufacturing turnover shrank by 10.0% y/y, while new orders were down by 9.8% y/y. Positively, retail trade seems to be benefiting from signs of a tentative improvement in the labour market: in August, retail trade grew by 1.1% y/y in value and by 2.6% y/y in volume, while unemployment declined to 13.6% (from 13.8% in Q2). The mirror image of weak private consumption is demonstrated by an overall trend in lower consumer prices: inflation came in at 0.0% y/y in August. Against a backdrop of relenting domestic pressure, we expect inflation to remain subdued in Q3 and Q4, with core inflation hovering at around 0.5%.

In the meantime, the *Purchasing Manager Index* for the services and the manufacturing sector (released by Markit and an unofficial indicator of business conditions) still significantly exceeds the 50-mark expansion threshold. In particular, the PMI for the manufacturing sector rose to 52.7 points in September (from 52.0 in August) to reach its highest level in eleven months thanks to rising levels of domestic and foreign orders. Business and consumer confidence also strengthened in September but we expect confidence readings to be volatile in the months ahead.

## Glossary & Definitions

**DEFINITIONS**

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Usual Terms:

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F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:
Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:
The balance of government expenditure and receipts.

Real GDP growth, %:
GDP adjusted for inflation.

Inflation, %:
The increase in prices over a given period.

**GLOSSARY**

| | |
|---|---|
| CiA | Cash in Advance |
| CLC | Confirmed Letter of Credit |
| CWP | Claims Waiting Period |
| FX | Foreign Exchange |
| LC | Letter of Credit |
| LT | Long term |
| MT | Medium term |
| OA | Open Account |
| SD | Sight Draft |
| ST | Short term |

## Customer Service & Support



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Rest of World
You can contact your local D&B Customer Services departments by clicking here.

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