



Decide with Confidence

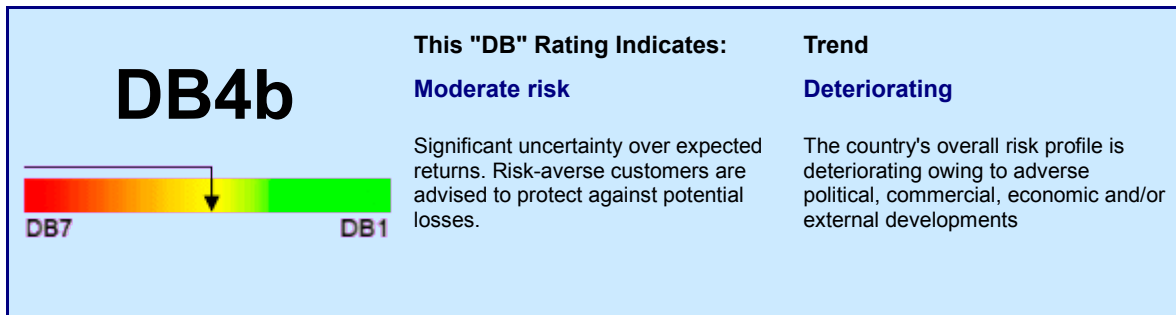
D&B Country RiskLine Report

IRELAND

Region : Western Europe

Edition : June 2011

D&B Country Risk Indicator



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:	4.2m
Surface area (sq km):	70,280
Capital:	Dublin
Timezone:	GMT
Official languages:	Irish, English
Head of government:	Prime Minister Enda KENNY
GDP (USD):	215.9bn
GDP per capita (USD):	51,167
Life expectancy (years):	78
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
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	1-3 months
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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
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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 risk of payment delays remains high: D&B's latest proprietary cross-border payments performance data show that to end-Q1 2011 Irish companies paid 10.2% of their bills to European shippers 30 or more days over agreed terms. The share of prompt payments increased to 51.5% (down from 50.7% in Q4 2010), while severely delinquent payments (120 days or more) came in at 1.3%. Overall, the delays in Irish payments performance remain higher than the European norm, while we expect delinquent payments to increase in the short term, as the business outlook remains weak. Elsewhere, data from the central bank show that 7.5% of households are now in mortgage arrears (with payment overdue by more than 90 days).

Export Credit Agencies

US Eximbank	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

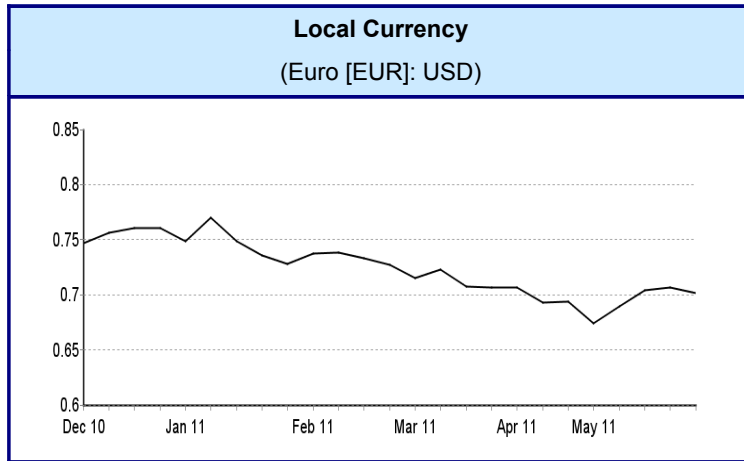
Economic Indicators

	2008	2009	2010e	2011f	2012f
Real GDP growth, %	-3.5	-7.6	-1.0	0.5	1.8
Inflation, annual ave, %	3.1	-1.7	-1.6	0.5	1.2
Govt balance, % GDP	-14.4	-32.0	-12.0	-8.0	-6.0
Unemployment, %	6.3	11.9	13.5	13.2	11.9
C/A balance, % GDP	-5.8	-2.9	2.2	0.8	1.2

European average refers to payments from France, Germany, Italy, Netherlands, Spain and UK; Inflation and unemployment are based on EU-harmonised data.

Currency Information

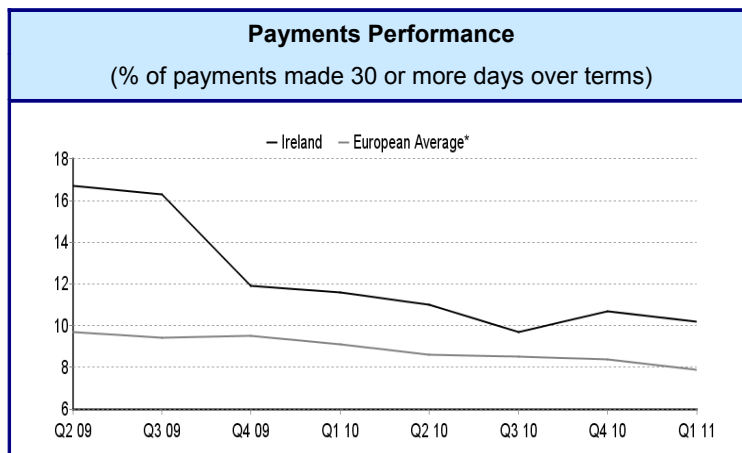
Exchange Rates (London, 30 May 11)	
GBP	1.1546
JPY*	0.8661
USD	0.7013
*(x 100)	



Local Currency
(Euro [EUR]: USD)

	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11
Week 1	0.747	0.748	0.738	0.715	0.707	0.674
Week 2	0.756	0.770	0.738	0.723	0.693	0.689
Week 3	0.760	0.748	0.733	0.707	0.694	0.704
Week 4	0.760	0.736	0.727	0.707		0.707
Week 5		0.728				0.701

Payments Performance



Data Table

Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
16.3	11.9	11.6	11.0	9.7	10.7
9.4	9.5	9.1	8.6	8.5	8.4

Risk Factor

The poor short-term outlook has prompted us to downgrade Ireland's country risk rating by one quartile to DB4b. Rising debt-financing risk in the euro-zone periphery (relating in particular to Greece potentially restructuring its debt), combined with weak growth prospects for the Irish economy and the recent downgrade of its sovereign rating by a number of credit rating agencies, have pushed Irish borrowing costs to new record-high levels. Interest rates on Irish 10-year government bonds reached 11.36% on 30 May and were 8.38 percentage points higher than the equivalent German bonds. Given the large shortfalls in Ireland's public accounts, with the consolidated budget deficit standing at EUR9.91bn between January and April (significantly up from EUR6.96bn in the corresponding period in 2010), and with public debt in excess of 90.0% of GDP, high borrowing costs will put further pressure on the already fragile public finances. Moreover, the government's medium-term goal of narrowing the deficit to below 3.0% of GDP by 2015 might be postponed (as higher interest payments will delay the repayment of core capital on Irish debt).

Positively, according to the recent stress tests carried out by the central bank of Ireland, the two most troubled banks (Anglo Irish Bank and Irish Nationwide Building Society) are unlikely to require more than the EUR34.7bn already received from the Irish government in 2010, bringing the total bill of rescuing the troubled banking sector to just below EUR70.0bn (lower than the previous estimates of EUR80.0bn). However, the new government hopes to rescue some of the capital by imposing some degree of burden-sharing and losses on creditors. We believe that the junior creditors not protected by the bank guarantee scheme could face substantial losses.

Apart from the fragile fiscal position, the economic outlook also remains weak. The manufacturing sector expanded at its weakest pace in six months in May as output and new orders slowed noticeably, leading to renewed concerns about the future employment and purchasing levels. According to NCB Stockbrokers, the Purchasing Managers' Index for the manufacturing sector dropped to 51.8 in May (from 56.0 in April) and stayed only marginally above the critical 50-point mark that separates growth from contraction. Moreover, retail sales also weakened in April (down by 3.9% year on year, seasonally adjusted) as consumers' purchasing power was affected by higher inflation, still-high unemployment (at 14.8% in April) and interest rate hikes (with the ECB's key rate raised to 1.25%). Positively, the government unveiled a plan to boost job creation by expanding employment in the private sector and providing better retraining for the unemployed; however, we do not expect this plan to provide a significant boost to ailing domestic demand.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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:

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

Local Delays:

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

F/X Bank Delays:

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.

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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