Ireland
CRT-2
August 22, 2019

Region: Europe

Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers


- Ireland is a CRT-2 country, with low levels of economic risk and very low levels of financial system risk and political risk.

- The GDP growth in Ireland is projected to decline from a 6.8% in 2018 to an estimated 4.1% in 2019. Inflation is expected to be close to 1%.

- Over the last few years, Ireland has had the fastest growing economy in the eurozone and continues to grow above the European Union average.

- AM Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. The notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.

Regional Summary: Western Europe

- Composed of 28 countries, the EU accounts for slightly over a fifth of the world’s GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.

- Uncertainty about Britain’s exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a “no deal” Brexit remaining a possibility.

- Growth in Western Europe has stagnated; impediments include weakness in the region’s manufacturing sectors, heightened trade tensions, and a general worldwide economic slowdown.

- The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.
Economic Risk: Low

• Trade is a crucial part of the Irish economy, leaving the country vulnerable to external conditions. Ireland’s two largest trade partners are the UK and the US.

• With the UK as a primary trading partner and a high degree of integration between the UK and Ireland’s business environment, a “no-deal” Brexit would be harmful to the country’s economy. It remains unclear how Brexit will affect commerce and travel across the Republic of Ireland-Northern Ireland border.

• Ireland benefits from flexible labor markets, a stable legal environment, a young and highly educated workforce, and a mature regulatory environment.

• Job growth has been strong in recent years with unemployment falling below 6.0%. Unemployment is expected to trend towards 5.0% in the near term.

• Ireland ranks 23rd out of 190 countries in the World Bank’s Ease of Doing Business Survey. Ireland ranks particularly well in the ease of starting a business, paying taxes, resolving insolvency and protecting minority investors.

Political Risk: Very Low

• Leo Varadkar of the Fine Gael party is the current Taoiseach of Ireland. His minority government is currently supported by the opposition party Fianna Fáil. Between the two parties, Varadkar’s administration holds a majority in both the upper and lower houses of the legislature.

• A top priority in the government is mitigating the potential damage caused by Brexit. The government has prepared the Brexit Omnibus Bill to be used in the event of a no-deal Brexit; this bill covers items such as the electricity supply, health services, and taxation that could be impacted by a disorderly Brexit.

• Following protests by environmentalists, Ireland banned onshore fracking in 2018. Parliament declared a climate emergency in May 2019; the government aspires to reach net-zero carbon emissions by 2050.

Financial System Risk: Very Low

• The Central Bank of Ireland is responsible for the authorization and prudential supervision of the insurance industry in Ireland.

• Ireland’s insurance market is fairly large and developed at over USD 18 billion.

• The banking sector has been downsized in recent years, and is considered well capitalized with sufficient liquidity. Non-performing loans remain high, but their numbers have declined.

• Ireland has attracted many international corporations with its low corporate income tax of 12.5%. In response to international criticism, Ireland is phasing out some of its more controversial tax loopholes, although this may have a negative impact on foreign direct investment in the country.