Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

Irish Fiscal Advisory Council 2021 Conference

Debt Sustainability – An Investor Perspective

Frank O'Connor, Director

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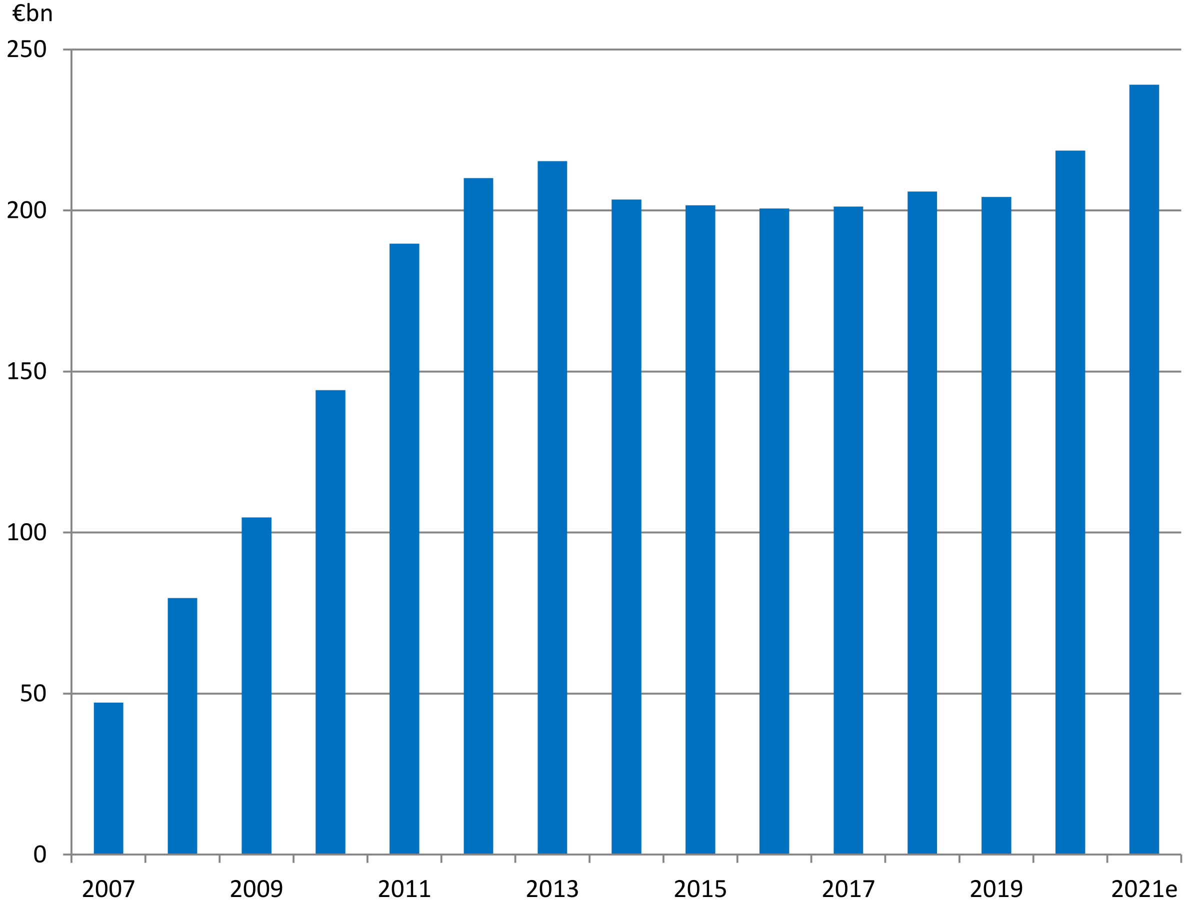
8th February 2021

Debt Sustainability – An Investor Perspective

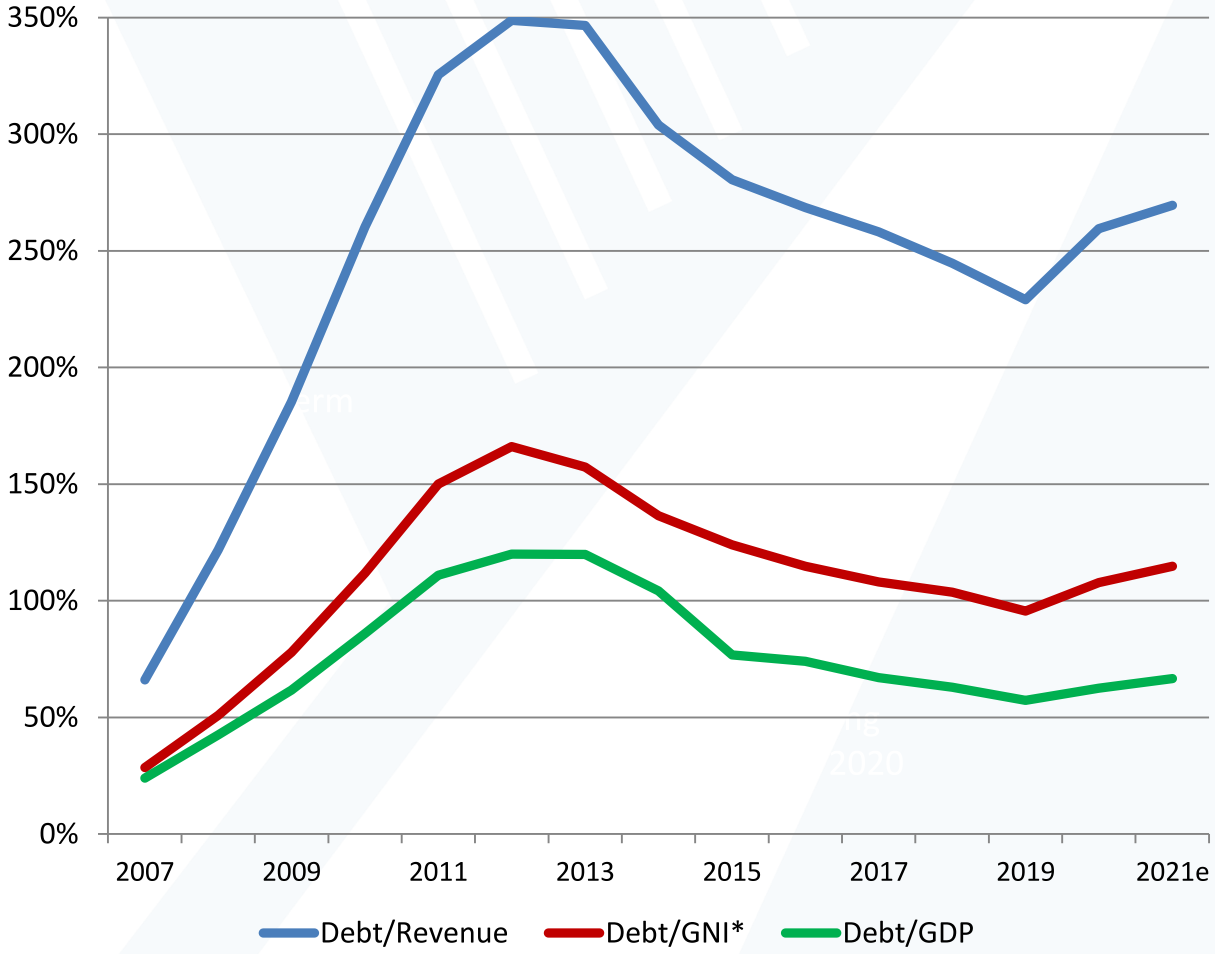
While we have seen a shift of emphasis away from the stock of debt in today's low rate environment, investors continue to focus on many of the traditional fundamentals when deciding to purchase sovereign debt.

- Debt service and debt dynamics
- Relativity
- Track record

Irish public debt is elevated and expected to grow further

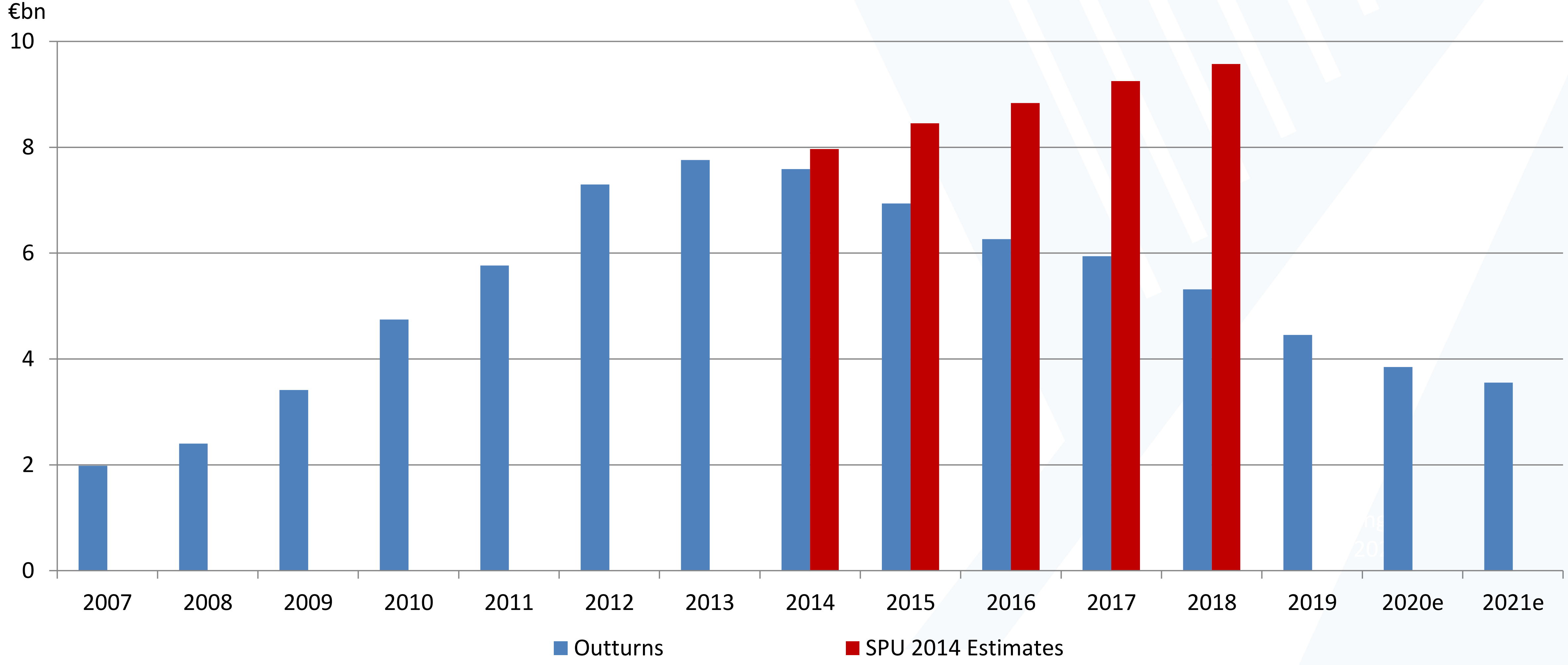


2020 sees reversal of recent sharp improvement in debt ratios

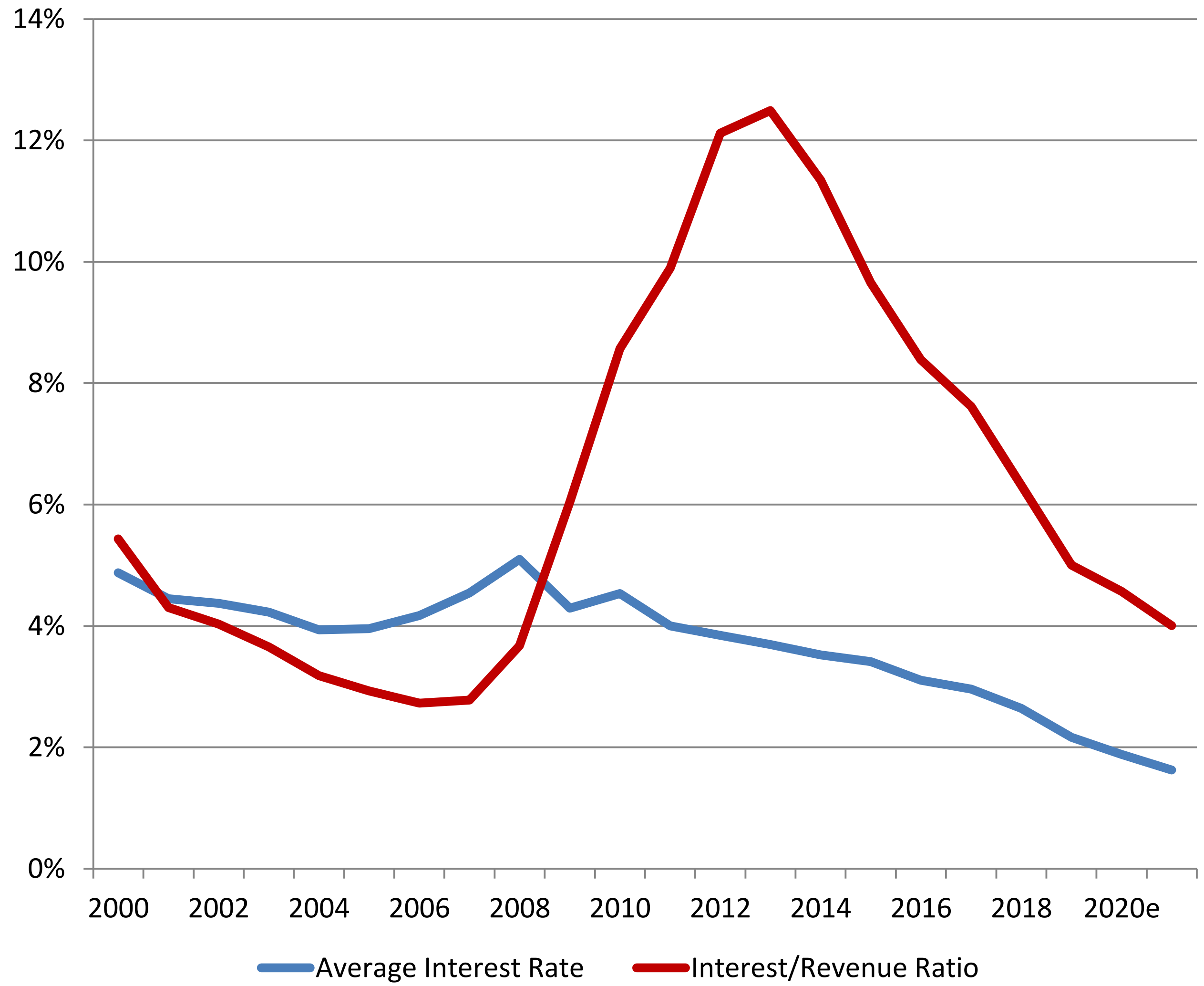


Interest bill has fallen 50% since 2013 peak

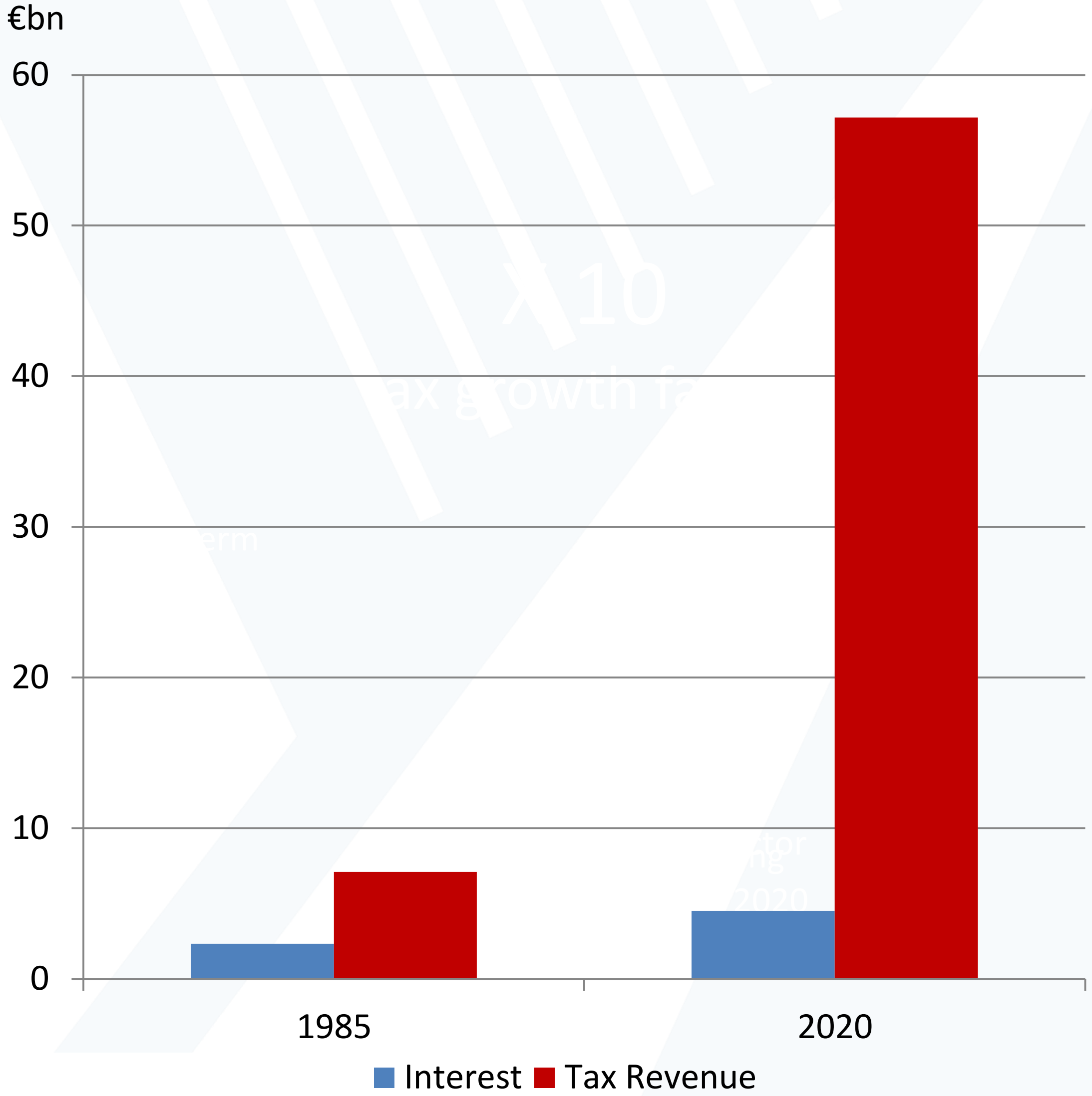
2021 estimate c. €3.5bn, a level last seen in 2009



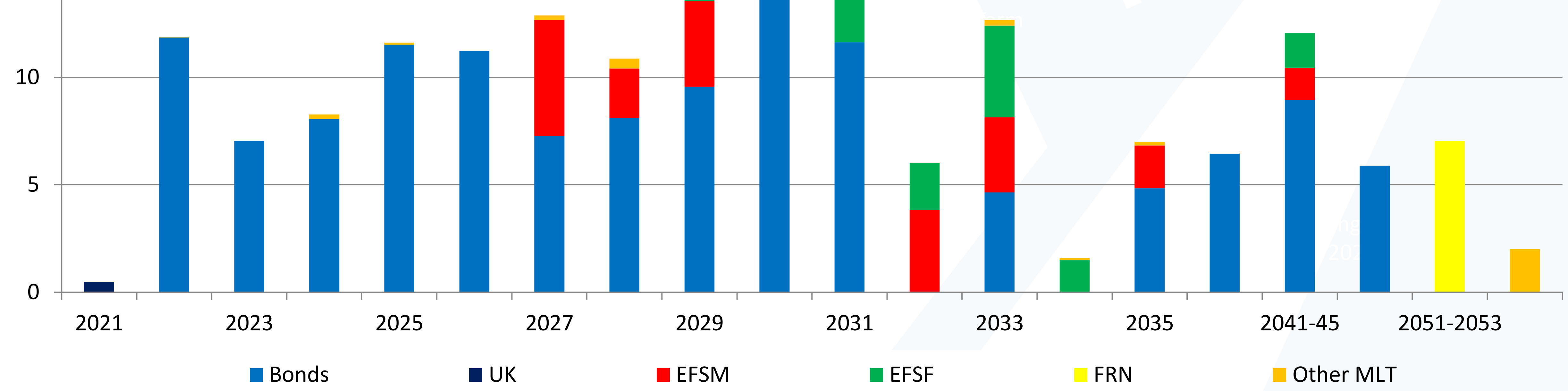
Debt service metrics continue to move in the right direction

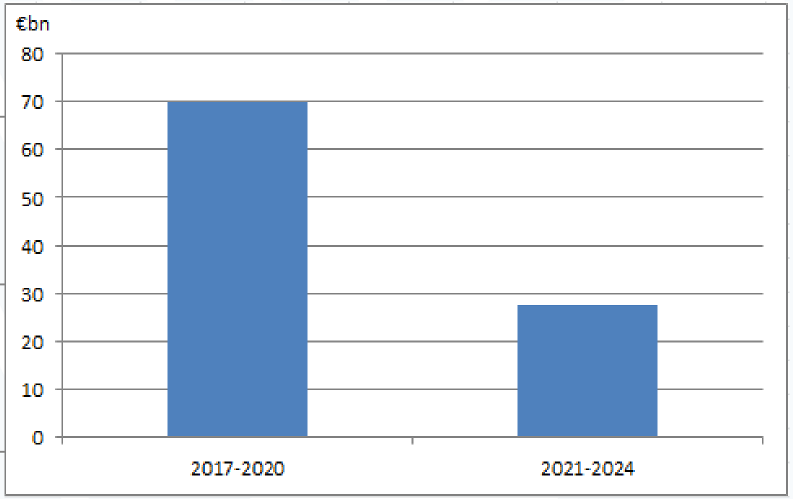


Tax & interest: 1980s vs. today



Less maturity concentration post large refinancing of 2017-2020





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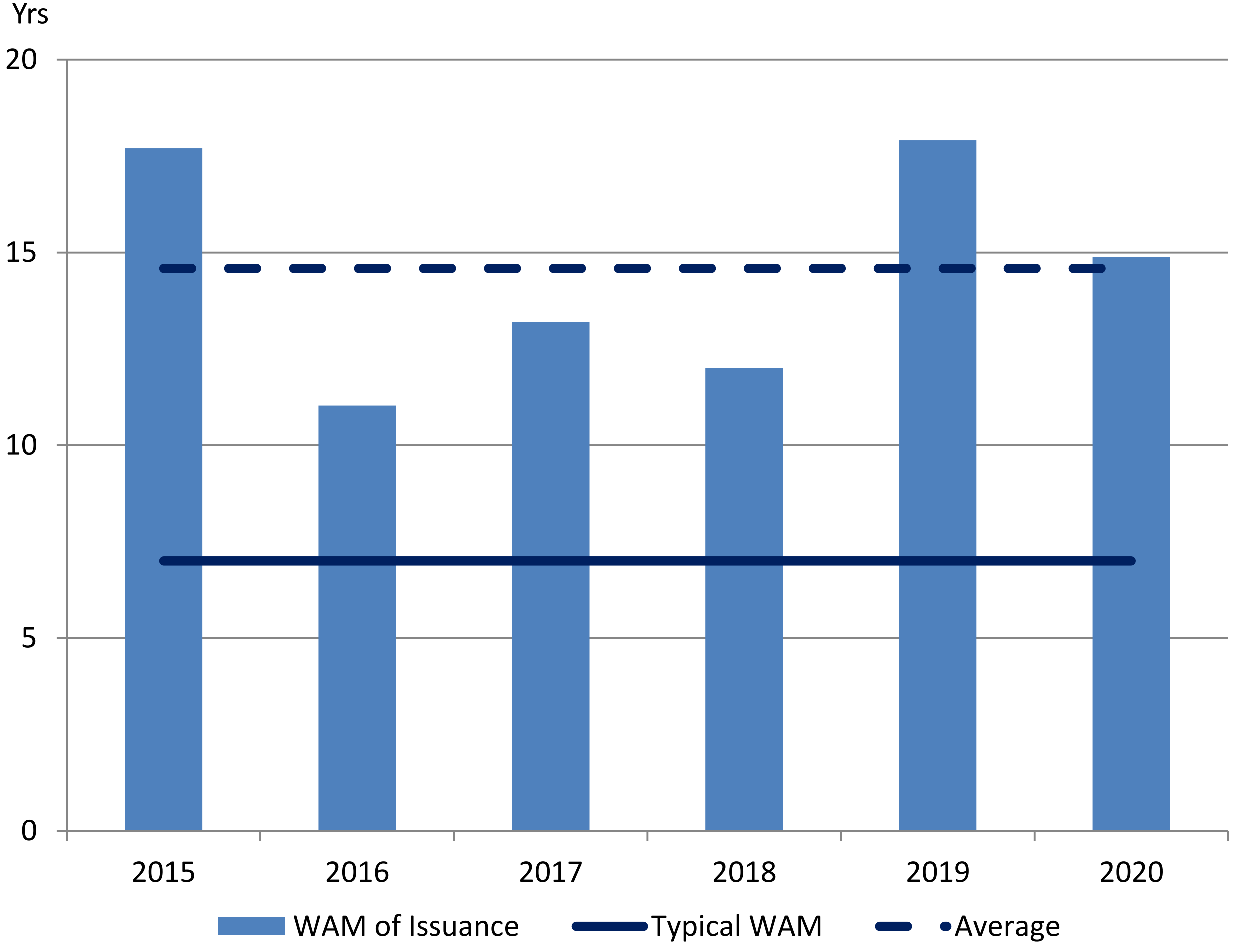
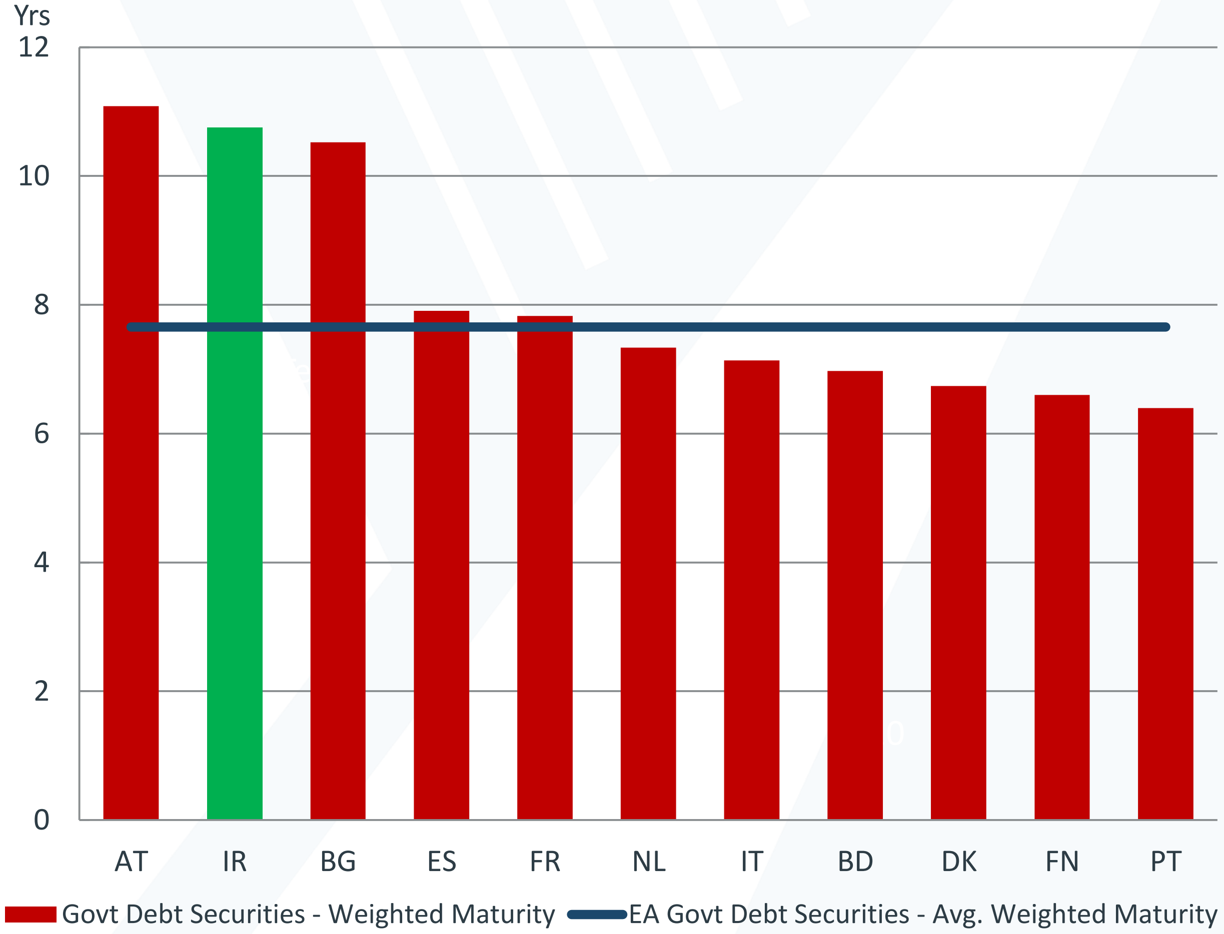
It is not expected that Ireland will have to refinance any of its EFSM loans before 2027; some of the maturity dates in the chart are assumed dates, reflecting commitment to extend original weighted average life to 19.5 years

Investors recognise Ireland's longer average maturity

Since 2015, average maturity of issuance c. 15 years

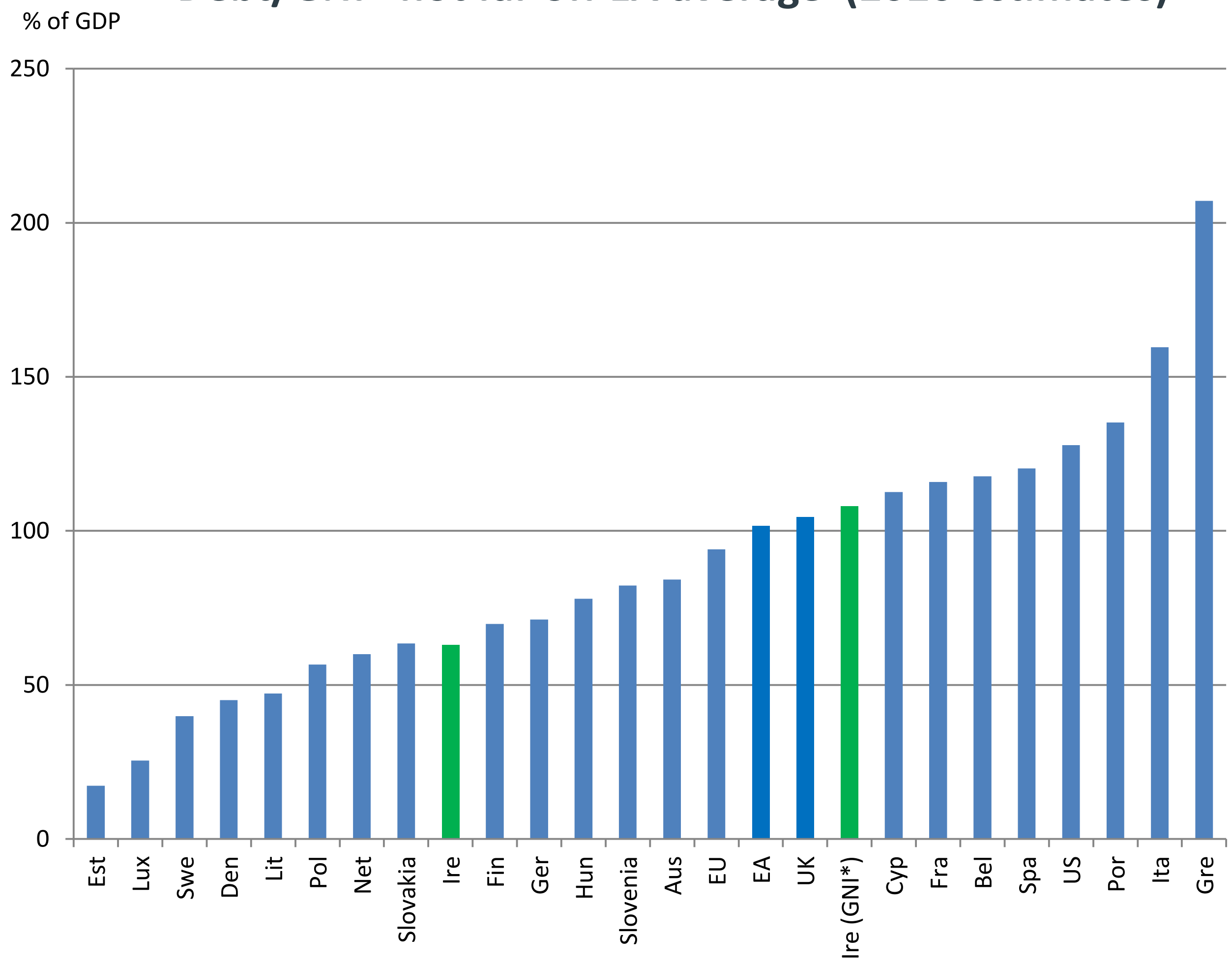


Ireland's compares favourably vs. EU/EA countries

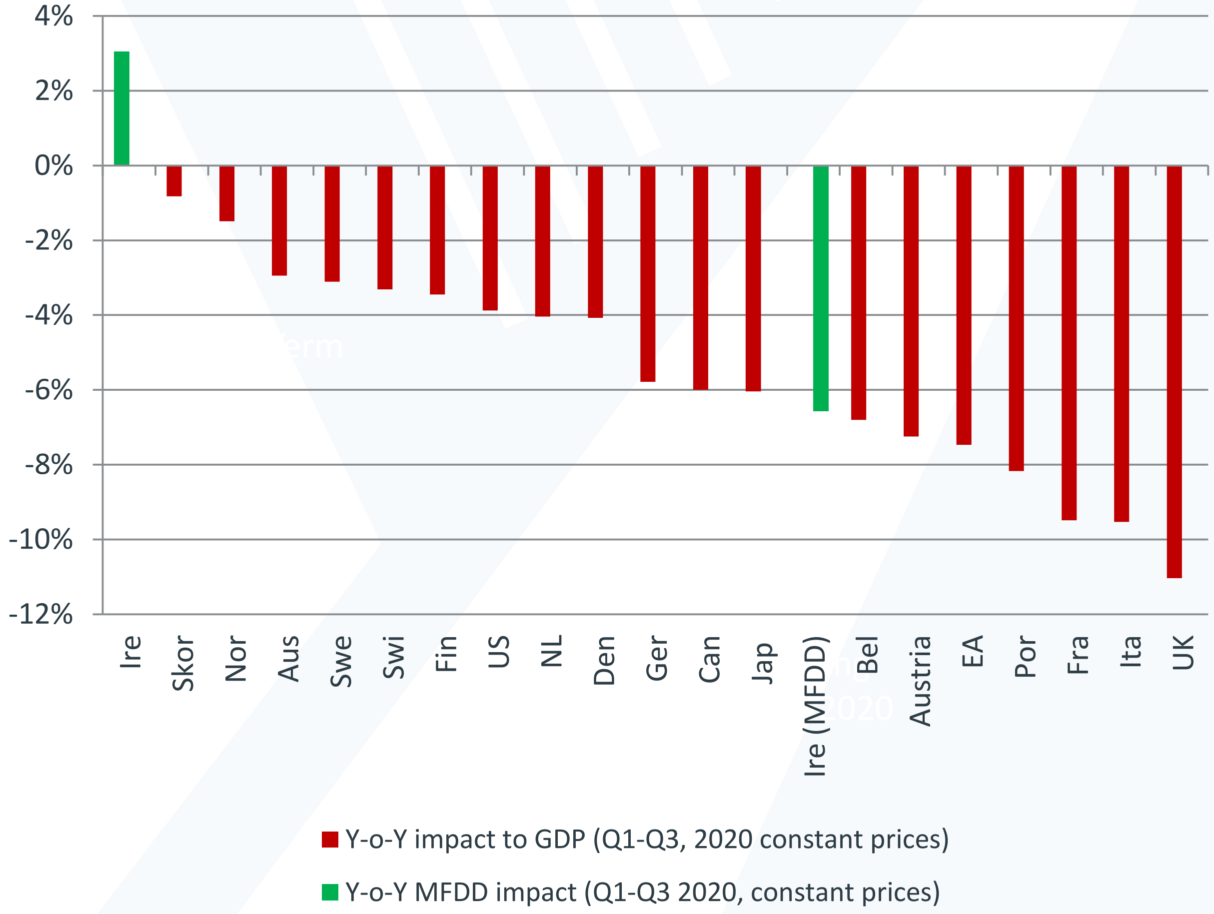


Ireland is not an outlier – its about relativity for many investors

Debt/GDP ratio paints benign picture but Debt/GNI* not far off EA average (2020 estimates)



While GDP flatters, MFDD shows Ireland "middle of the pack"



Track Record

"Your debt is sustainable when people have trust in your institutions and that policymakers will deliver on what they have promised" Laurence Boone OECD Chief Economist

Standard & Poor's "In our view, Irish policymakers' track record of prudent, flexible, and predictable macroeconomic policies has bolstered economic resilience."

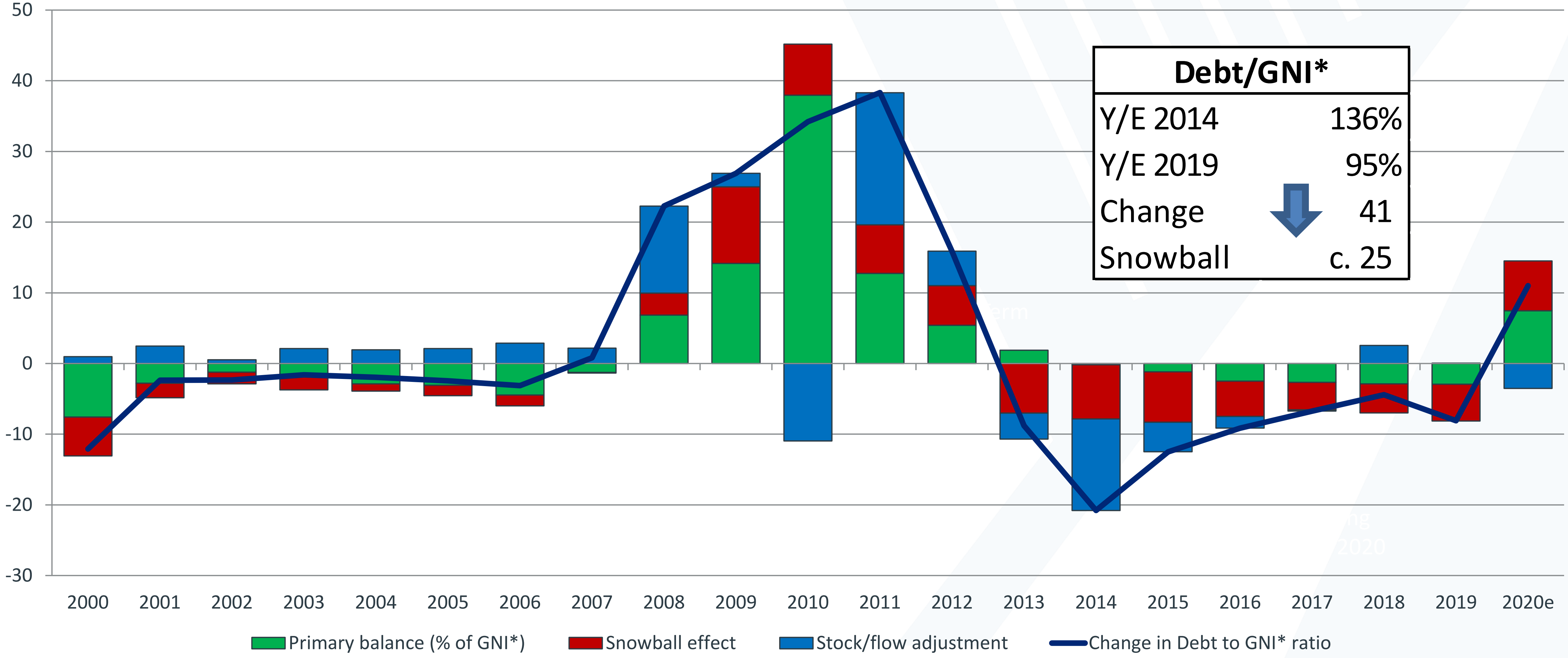
Moody's "We assess Ireland's institutions and governance strength as "aa2". The country's robust institutions and transparent policy framework allowed policymakers to effectively address the crisis through successive administrations, and to prepared effectively for Brexit despite uncertainty.

"What matters is not the deficit but what government is doing with its funds. As long as these funds are invested productively …………., then the debt/GDP denominator will rise, keeping the ratio in check."

Mariana Mazzucato from 'The Value of Everything'

PPS Report Ireland November 2020 "Growth enhancing expenditure, particularly green and digital investment, could make the recovery more sustainable and boost the potential growth of the economy in the medium to longer term."

Snowball effect largely responsible for improving debt ratio



Debt/GNI*	
Y/E 2014	136%
Y/E 2019	95%
Change	41
Snowball	c. 25

Summary

While we observe a shift of emphasis from the stock of debt, investors continue to focus on many of the traditional fundamentals

- **Debt service & debt dynamics**
  - lower interest bill despite higher debt
  - smoother and longer maturities, no near term concentration and strong cash buffers
  - monetary authorities creating time and fiscal space
- **Relativity**
  - investors looking at relative positioning - Ireland is not an outlier
- **Track record**
  - Ireland ranks highly amongst rating agencies and investors
  - Prudent public finance management makes current fiscal policy supports possible
  - But eye to medium term path for return to fiscal balance

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