

Ireland borrows €1bn at lowest rate since '08 crisis

By [Brendan Keenan](#)
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IRELAND yesterday borrowed €1bn at the lowest interest rates since the depth of the financial crisis in 2008.

The improving sentiment towards Ireland and euro-area debt generally was reflected in a yield of 4.426pc on bonds repayable in 2020.

This is 1.26pc more than the rate on equivalent German bonds and the lowest such spread since December 2008.

It is also 1.58 percentage points below the peak spread recorded 12 months ago. The National Treasury Management Agency (NTMA) also auctioned €500m of bonds that are due for repayment in 2016.

Finance Minister Brian Lenihan welcomed the fall in yields.

He commented: "This lower spread shows the level of international confidence in Ireland's prospects and the actions taken by the Government.

"There is room for further improvement in our spreads and the Government will continue to pursue policies that will lead to a reduction in our borrowing costs."

The NTMA felt able to borrow €1.5bn, instead of the more usual €1bn, at its monthly auctions, having received bids from lenders worth almost €5bn.

Yesterday, NTMA chief executive John Corrigan said governments must "walk the walk" as well as "talk the talk" if they want to impress bond markets.

He said: "You need to send a clear message about how you are going to correct the problem and then deliver."

Referring to efforts to reduce budget deficits, he said: "It's very simple, but much easier said than done. You need very strong political resolve."

Mr Corrigan said he hoped the spread over Germany may fall below one per cent this year.

It may narrow as the eventual cost of recapitalising the banks becomes clearer to the markets over the next month.

Goodwill

He added that the debt agency was considering selling a bond whose interest rate is linked to inflation for the first time, in response to interest from investors. It may also sell a 30-year bond.

Alan McQuaid, chief economist at Bloxham Stockbrokers, said Irish bonds were now trading as a "must-have" for investors within the peripheral euro area market.

"One has to admire the NTMA's opportunism in exploiting the current goodwill towards Ireland within the financial markets," he said.

The agency has already borrowed more than half this year's requirement and will probably try to borrow some of next year's expected €22bn before the end of 2010.

"It means the Government needs to tread carefully as regards the public-sector wage talks," said Mr McQuaid.

"Any sign that it is taking an easier stance on the pay and pensions bill will likely be met with disapproval by the bond markets and higher yields on new borrowing."

Jim Ryan of Glas (stet) Securities said: "It's not unreasonable to think we could be trading below one percent over Germany by the end of the year. It would require further good news out of Ireland and the other peripheral countries."

- Brendan Keenan