

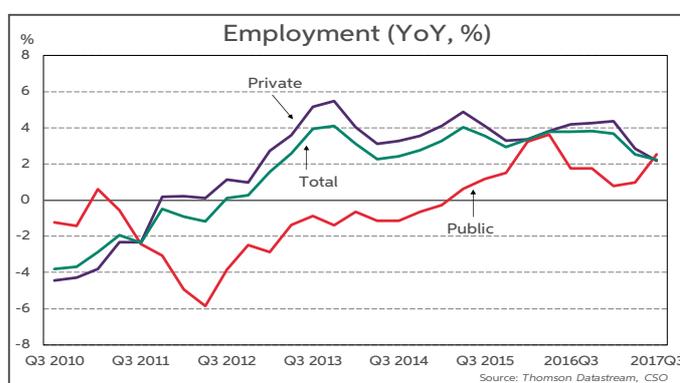
## Irish economy approaching previous employment peak

The latest CSO data on the Irish labour market show continuing strong job growth, with total employment likely to surpass its pre-crash peak later this year. These figures, which are for the third quarter of 2017, show that employment rose by 48,000 from year earlier levels to close on 2.2 million.

The data incorporate adjustments by the CSO to take account of revisions to population estimates arising from the 2016 Census of Population. The figures also involve some other methodological changes as they are now based on a new Labour Force Survey, which replaces the previous Quarterly National Household Survey.

Overall, while these adjustments result in higher labour force and employment figures, mainly reflecting a larger population, the key labour market trends of strong jobs growth and falling unemployment have not changed.

Employment reached a peak of 2.24 million at the end of 2007 and then declined to close on 1.87 million by the third quarter of 2011, a fall of over 16% or circa 365,000. Two sectors – construction and industry – saw particularly severe contractions, shedding 250,000 jobs.

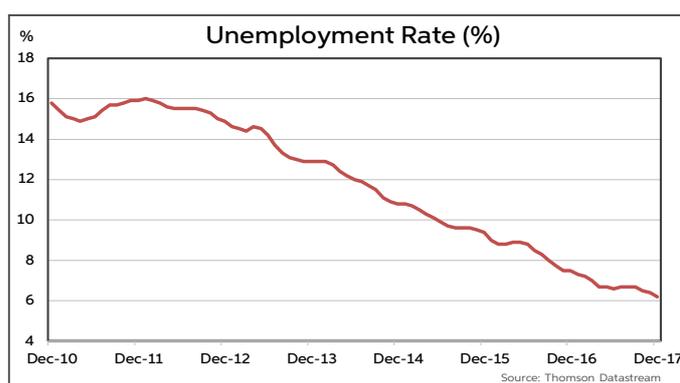


Employment has been on a steady uptrend since late 2011, reaching 2.19 million in the third quarter of last year, a rise of almost 320,000. With the economy adding circa 50,000 jobs annually, employment should surpass the previous peak of close to 2.24 million in the second half of this year.

It has been a long journey back for the economy. The scale of the decline in employment over the 2008-2012 period was enormous. Thus, it is some achievement that the level of employment is set to return to its previous peak and, indeed, surpass it during 2018.

There has been strong job growth in recent years in sectors that suffered severe declines in employment during the recession, like construction and industry. Notably, though, employment in construction at 127,000 is still some 114,000 below its peak level, which makes the recovery in total employment all the more commendable.

Meanwhile, the past year has seen strong employment growth in some services sectors, including education, healthcare, administration and I.T.



Not surprisingly given the service sectors involved, there has been a good rise in public sector employment of 10,000, or 2.5%, in the latest twelve month period. However, employment in the public sector is still some 8% lower than its peak level of a decade ago. While employment in the private sector has been on the rise since 2012, the numbers working in the public sector did not start to recover until 2015.

## Growth in labour force and employment slowed in 2017

There are also some other noticeable trends in the latest data. In particular, there has been a significant slowdown in the pace of employment growth over the course of the past year, following a sharp rebound in job creation in the period 2013-2016. This ties in with National Accounts data showing a clear deceleration in the pace of growth in domestic demand in 2017. The jobs data are still impressive, though, just not as strong as in previous years.

On a more positive note, there is a clear shift away from part-time to full-time employment, reflecting the on-going strengthening of economic activity. There has been a sharp fall in the numbers in part-time employment in the past two years, while the numbers in full time-employment has been rising by over 90,000, or 5.5%, on average in annual terms since late 2016.

One of the reasons for a slowdown in employment growth may be the sharp weakening in the growth rate of the labour force. The labour force grew by nearly 2% in 2016, but the annual rate slowed to just 0.1% and 0.5% in the second and third quarters of 2017. The data for the third quarter show that continuing net inward migration by non-Irish nationals is adding to the labour force.

However, there was a significant drop in the labour force participation rate from a year earlier—it fell to 62.4% in Q3 2017 from 62.9% in Q3 2016. This is not all due to the methodological changes as a decline in the labour force participation rate was evident before the switch over the new survey format in the third quarter.

The decline is all concentrated in the 15-24 year old age group, where the participation rate dropped sharply from 55.4% to 47.0%. Notably, there was no offsetting increase in the number of students, so it something of a mystery. It may be largely due to sampling issues as well as the change over to the new survey methodology. It will be interesting to see if it unwinds over the next few quarters.

Meanwhile, the data show a continuing strong downtrend in unemployment, with the numbers declining by 37,400 in the latest twelve month period. This is broadly in line with the fall of 41,000 in the Live Register in 2017.

The unemployment rate stood at 6.7% in the third quarter of 2017, down from 8.3% a year earlier. More timely data suggest that it declined to around 6.4% in the final quarter of 2017. While employment growth has slowed recently, the jobless rate still looks set to fall to circa 5.5% by the end of this year.

Below is a table containing our labour market forecasts for the 2018 and 2019, as well as the estimated outturn for 2017, and revised data for previous years.

Year Average	2014	2015	2016	2017(e)	2018(f)	2019(f)
<b>Unemployment Rate %</b>	11.9	10.0	8.4	6.7	5.8	5.2
<b>Labour Force Growth %</b>	0.4	1.2	1.9	0.8	1.2	1.3
<b>Employment Growth %</b>	2.6	3.5	3.7	2.7	2.2	1.9
<b>Net Migration : Year to April ('000)</b>	-8.5	5.9	16.2	19.8	25.0	30.0

Source: CSO and AIB ERU forecasts

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