Buoyant Irish jobs market points to strong growth

Figures published for the Eurozone economy show that growth strengthened in the first quarter of this year, with GDP expanding by 0.5%. The data available for April and May suggest that the pace of activity in the Eurozone has continued to pick up momentum.

This is good news for Ireland, as the Eurozone takes around 45% of Irish exports. We don't have official National Accounts data yet, though, to tell us how the Irish economy performed in the first quarter of the year.

However, first quarter data published last week on the Irish labour market were very impressive. They suggest that the economy is continuing to grow at a very strong pace, having registered a rise of 5.2% in GDP in 2016. Certainly, concerns about Brexit and the weakening of sterling over the past year would appear to be having very little impact on activity if these latest labour market statistics are anything to go by.

Employment rose by 19,300 or 0.9% in quarter one. This is very much in keeping with the trend evident in 2016 when employment registered steady quarterly increases of between 0.7% and 0.9%. As a result, there was a strong annual increase in employment of 3.5% or 68,600 in the year to the first quarter of 2017.

This is a clear sign that the economy is continuing to perform strongly. Another sign is that more and more workers are moving from part-time to full-time employment as the economy improves. The numbers in part-time employment fell in the past year, while those in full-time jobs rose by 84,000 or 5.5%.

The strong job growth is being driven by the private sector, which saw a rise of 4.2% in employment compared to 0.7% in the public sector. Furthermore, the strong rise in employment is across all the main sectors of the economy, suggesting that economic growth is now broadly based.

Employment in industry and construction rose by 14,000 and 11,000, respectively. There were also sizeable job increases in hospitality (10,000), I.T. (8,000), professional/technical jobs (6,000) and retailing (4,000), as well as rises of 4,000 in education and 7,500 in healthcare.

Another encouraging feature is that the job growth is spread around the country, with particularly large increases in employment in the West and the South-East over the past year, two regions which had been lagging behind.

Meantime, the strong downtrend in unemployment evident in recent years is also being maintained in 2017. The jobless rate averaged 6.8% in quarter one, down from 7.1% in the previous quarter. More timely data show that the jobless rate had fallen to 6.4% by April, down from 8.4% a year earlier. Based on current trends, the unemployment rate will drop below 6% later this year and decline to 5% in 2018. This compares to a peak rate of over 15% back in early 2012.

The improving jobs market has seen a turnaround in migration flows, boosting the size of the labour force, which grew by 1.5% or 35,000 in the past year. Over a third of this increase was due to a rise in the number of non-Irish nationals in the labour force, mainly from other EU countries.

There is no sign yet that the tightening labour market conditions are exerting upward pressure on wages. CSO data for quarter one show that average hourly earnings rose by less than 1% on year earlier levels. Thus, the strong labour market is not translating into higher wages or a large rise in government tax receipts.

Ireland is not unique in this regard. Countries such as the US, UK and Germany, which have seen unemployment rates fall to much lower levels than Ireland, are not experiencing a pick-up in wage inflation. This recovery is certainly unusual in that both wages and consumer prices remain very subdued globally.

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