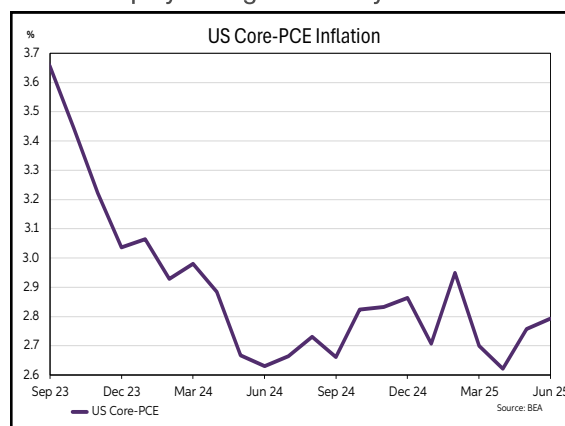


Irish jobs market is cooling

- **The recent exceptional growth in the Irish jobs markets looks to be cooling.** The latest labour force survey (LFS) for Q2 2025 shows employment rose a marginal 0.1% in the quarter, and the annual growth rate decelerated to +2.3% (+3.3% y/y in Q1 2025), with nearly 64,000 jobs created in the past year. This softening in hiring has been well signalled by industry surveys and the timelier monthly payrolls numbers. Total employment in Ireland is now over 2.8 million and has grown rapidly by 426,000 (+18%) over the past five years, particularly in the post-Covid period.
- **At a sectoral level, the out-turn was mixed. Of the 14 sub-sectors, 10 registered growth in the year to Q2 2025.** Annual growth was led by a sharp uptick in construction, adding nearly 30,000 jobs (+18.4%). Robust gains were also seen in Financial Services (+5%), Agriculture (+4.8%), Education (+4.1%), and Transport & Storage (+4%). The weakest performers were Information and Communications (-4.1%), which shed nearly 8,000 jobs, Public Administration (-3.8%) and Accommodation and Food Services (-1.7%).
- **Unemployment remains low, ticking up to a 4.6% rate in Q2 2025 from 4.5% in Q1 2025.** That Q1 figure was revised higher from an initial estimate of 4%, but this reflects updates to the seasonal adjustment rather than any underlying deterioration in jobless figures. The jobless rate has now been below 5% for over three years, the longest such period it has been under that threshold on record, with the recent slight rise in those unemployed a factor of continued strong labour force growth rather than a sharp jump in job losses.
- **The participation rate was steady at a near record 66.2%.** This follows a period of exceptional growth in the labour force, driven in large part by rising female participation. Strong migration flows also continue underpin new labour supply, accounting for over 60% of annual jobs growth. However, annual labour force growth slowed to 2.5% from 3.5% in Q1, and there are signs that employers are pulling back on hiring from abroad. In the year to July 2025, the number of work permits issued to non-EU nationals fell sharply by 28% y/y to 17,300, driven largely by a pullback in permits issued in the tech (-48% y/y) and health sectors (-44%). This drop in demand for work permits might reflect the more cautious outlook for the future evident in business surveys such as the AIB PMIs.
- **While the jobs data remain positive, there are clear signs of cooling of late.** The latest hiring data from recruitment website Indeed.ie suggest waning employer demand, with new job postings falling 7% y/y in mid-August 2025. The AIB PMI employment surveys point to still-solid hiring activity in manufacturing, but services hiring growth has weakened; alongside signs of caution on the outlook for the next 12 months. These lead indicators suggest the rapid growth evident in the jobs market in over the past few years has now subsided with annual employment growth likely to slow towards 2% for 2025, compared 2.7% in 2024 and 3.4% in 2023.
- **Turning to the week ahead, the main release of note will be US core-PCE inflation for August.** A disinflationary trend throughout the start of the year saw core-PCE fall to 2.6% in April, its lowest level since June 2024. However, it rose to 2.8% in May and remained at that level in June, amid tentative signs of tariff related inflationary pressures emerging. A further slight increase to 2.9% is pencilled in for July. Elsewhere in the US, personal income and consumption data are due. Both metrics have remained robust during the first half of the year, and this trend is forecast to continue at the start of Q3, with the former rising by 0.4% m/m and the latter by 0.5% m/m in July. Meantime, the Conference Board measure of consumer confidence is projected to deteriorate somewhat to 95.5 in August from 97.2. In terms of more lagging indicators, the second reading of US GDP is expected to be revised a touch higher to +3.1% annualised in Q2.
- **In the Eurozone, the data calendar has a quieter look to it.** Indeed, the only top tier bloc wide release will be the EC sentiment indices for August. A marginal improvement in overall sentiment is anticipated in the month, albeit services sector confidence is expected to decline slightly. On the monetary policy front, the meeting account from the July gathering will warrant some attention. Meanwhile, a slew of survey data from some of the large national economies, including the German Ifo, and the French and Italian measures of business/consumer confidence will also feature. Perhaps more importantly though, the flash estimates of HICP inflation in Germany, France, Italy and Spain are due. A slight increase to 1.9% is forecast in Germany, while French inflation is set to remain muted at 0.7%. Currently, there are no forecasts available for Italian or Spanish HICP, which stood at 1.7% and 2.7%, respectively in July.



	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2025	2025	2026
Fed Funds	4.375	4.125	3.875	3.625
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	4.25	4.00	3.75	3.50
BoJ OCR	0.50	0.50	0.75	0.75

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q3	End Q4	End Q1
		2025	2025	2026
EUR/USD	1.1698	1.18	1.19	1.20
EUR/GBP	0.8657	0.86	0.85	0.84
EUR/JPY	171.88	170	170	168
GBP/USD	1.3510	1.37	1.40	1.43
USD/JPY	146.91	144	143	140

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 25th - Friday 29th August

Date	UK & Irish Time (GMT+1)		Release	Previous	Forecast
This Week:	ECB Speakers:		de Guindos (Fri)		
	BoE Speakers:		Mann (Tue)		
	Fed Speakers:		Williams, Barkin (Tue); Barkin (Wed); Waller (Fri)		
Mon 25th	GER:	09:00	IFO Business Climate Index (August)	88.6	88.5
	US:	15:00	New Home Sales (July)	0.63m	0.63m
Tue 26th	FRA:	07:45	INSEE Consumer Confidence (August)	89.0	
	US:	13:30	Durable Goods (July)	-9.4%	-4.3%
			- Ex-Transport	+0.2%	
			- Ex-Defence	-9.4%	
	US:	15:00	CB Consumer Confidence (August)	97.2	95.5
Wed 27th	GER:	07:00	GfK Consumer Sentiment (September)	-21.5	
Thu 28th	EU-20:	09:00	Money-M3 Growth (July)	(+3.3%)	(+3.5%)
			-Loans to households	(+2.2%)	
	ITA:	09:00	ISTAT Consumer Confidence (August)	97.2	
	ITA:	09:00	ISTAT Business Confidence (August)	87.8	
	EU-20:	10:00	EC Business Climate (August)	-0.72	
	EU-20:	10:00	EC Economic Sentiment (August)	95.8	96.0
			-Industrial / Services / Consumer	-10.4 / 4.1 / -15.5	-10.0 / 3.9 / -15.5
	EU-20:	10:00	EC Monetary Policy Meeting Account (23-24th July)	0	
	US:	13:30	GDP (Q2: Second Estimate)	+3.0% S.a.a.r.	+3.1% S.a.a.r.
	US:	13:30	PCE Prices Prelim (Q2)	+2.1% S.a.a.r.	+2.1% S.a.a.r.
			-Core PCE Prices Prelim (Q2)	+2.5% S.a.a.r.	+2.5% S.a.a.r.
	US:	13:30	Initial Jobless Claims (w/e 23rd Aug)	235,000	
Fri 29th	JPN:	00:30	CPI Tokyo (August)	(+2.9%)	
			-Ex-Fresh Food	(+2.9%)	(+2.5%)
	JPN:	00:30	Unemployment Rate (July)	2.5%	2.5%
	JPN:	00:30	Retail sales (July)	(+2.0%)	(+1.8%)
	GER:	07:00	Retail Sales (July)	+1.0% (+4.9%)	-0.5%
	FRA:	07:45	GDP (Q2: Final Reading)	+0.3% (+0.7%)	+0.3% (+0.7%)
	FRA:	07:45	Flash HICP Inflation (August)	+0.3% (+0.9%)	+0.5% (+0.9%)
	SPA:	08:00	Flash HICP Inflation (August)	-0.3% (+2.7%)	
	GER:	08:55	Unemployment Rate (August)	6.3%	6.3%
	ITA:	09:00	GDP (Q2: Final Reading)	-0.1% (+0.4%)	-0.1% (+0.4%)
	ITA:	10:00	Flash HICP Preliminary (August)	-1.0% (+1.7%)	
	GER:	13:00	Flash HICP Preliminary (August)	+0.4% (+1.8%)	+0.0% (+1.9%)
	US:	13:30	Personal Income / Consumption	+0.3% / 0.3%	+0.4% / 0.5%
	US:	13:30	PCE Price Index (July)	+0.3% (+2.6%)	+0.3% (+2.7%)
			- Core-PCE	+0.3% (+2.8%)	+0.3% (+2.9%)
	US:	14:45	Chicago PMI (August)	47.1	
	US:	15:00	Uni. Michigan Sentiment Final (August)	58.6	58.6

♦ Month-on-month changes (year-on-year shown in brackets)

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