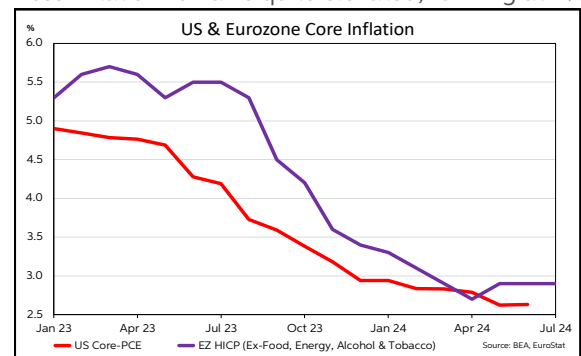


## Irish labour market strong, but slowdown ahead

- **The Irish labour market expanded at a robust pace in Q2.** Employment increased by 0.7% in the quarter, and the annual growth rate accelerated to 2.7% y/y (+1.9% y/y in Q1 2024). Total employment in Ireland is now at a record high of 2.74 million, and is 372,000 or 16% above its pre-pandemic levels in Q4 2019, following several years of rapid jobs growth.
- **At a sectoral level, the out-turn was mixed, with only half seeing an increase in Q2 versus Q1 2024.** However, most sectors were still higher on the year. The biggest annual increases in employment were in the Professional, Scientific, and Technical sector (+12.7% y/y), Industry (+6.6%), and Information & Communication (+6.5%). The weakest performers were Construction (-6.8% y/y) and Wholesale & Retail Trade (-7.3%), perhaps reflecting more challenging trading conditions in those sectors. Employment was also lower in Financial, Insurance & Real Estate (-2.9%) and Admin & Support Services (-0.1%), both with large employment bases in the services sector. Overall then, employment growth remains strong but the gains are more narrowly based across a couple of high-growth sectors at present.
- **Unemployment remains low, ticking up to 4.4% in Q2 2024 from 4.3% in Q1, with other measures of labour market ‘slack’ pointing to slightly looser conditions.** The long term unemployment rate fell further to just 0.9% from 1.2% in Q1, but those working part-time who could not find full-time work ticked higher, as did other measures of ‘slack’. However, the key driver of jobs growth during the quarter remained persons moving into full-time work, underpinned by on-going strong population growth. The labour force grew by 2.9% y/y, while the participation rate ticked higher to 65.7% from 65.4% in Q1. This growth was once again driven by higher female participation and inward migration.
- **However, we expect this exceptional growth to cool in the coming quarters.** Indeed, the monthly CSO employee payroll index suggests jobs growth had already slowed in Q2 2024, diverging somewhat from the main Labour Force Survey, discussed above. The jobs market slowdown has also been well signalled in industry surveys, such as the PMIs and ‘Indeed.ie’ job postings, which suggest employer demand has waned in recent months. The supply of new labour is also likely to be tighter as the rise in female participation begins to plateau, and the level of inward migration continues to ease, following the surge associated with the war in Ukraine in 2022/23. This suggests annual jobs growth will likely slow to below 2% in the coming quarters.
- **This week’s macro highlight will be inflation data on both sides of the Atlantic.** In the Eurozone, the downward trend in the headline rate has stalled since the spring. After coming in at 2.4% in March and April, headline HICP printed in a 2.5-2.6% range throughout the summer. Likewise, core inflation has been sticky, with the ex-food, energy, alcohol and tobacco rate plateauing at 2.9% between May-July. Furthermore, services inflation remains quite elevated, running at 4% in July. However, headline HICP is likely to edge lower in the coming months, due in part to base effects from oil prices. The consensus is for the headline rate to ease to 2.2% in August, while core inflation is forecast to edge down to 2.8%. In contrast to the Eurozone, US core-PCE resumed a shallow disinflationary trend in Q2, inching down from 2.8% between February-April, to 2.6% in May, its lowest level since March 2021. It stayed at that level in June also. A slight increase to 2.7% is pencilled in for July.
- **Meanwhile, the Eurozone data calendar also includes updates on the labour market and sentiment.** The unemployment rate is projected to remain at 6.5% in July, a touch above the all-time low of 6.4%. In terms of some timelier data, the full set of EC sentiment indicators for August are scheduled for release. A slew of national sentiment indices, such as the German Ifo, French INSEE and Italian ISTAT measures of consumer and business confidence are also due.
- **In the US, aside from core-PCE inflation, the focus will be on the latest personal consumption and income figures.** In the past two months, personal consumption has defied expectations, running ahead of the rise in incomes in nominal terms. This trend is set to continue in July also, with personal consumption forecast to increase by 0.5% in July, compared to just 0.2% income growth. However, given the recent slowdown in average earnings growth and the decline in household savings, this trend is unlikely to continue for much longer. Meanwhile, the Conference Board measure of consumer confidence is expected to be little changed in August. In terms of more lagging indicators, the second reading of Q2 GDP is set to confirm the economy expanded by 2.8% annualised in the quarter. **This week’s UK macro diary is generally uneventful.**



|             | Interest Rate Forecasts |        |        |        |
|-------------|-------------------------|--------|--------|--------|
|             | Current                 | End Q3 | End Q4 | End Q1 |
|             |                         | 2024   | 2024   | 2025   |
| Fed Funds   | 5.375                   | 5.125  | 4.875  | 4.625  |
| ECB Deposit | 3.75                    | 3.50   | 3.25   | 3.00   |
| BoE Repo    | 5.00                    | 5.00   | 4.75   | 4.50   |
| BoJ OCR     | 0.25                    | 0.25   | 0.25   | 0.25   |

Current Rates Reuters, Forecasts AIB's ERU

|         | Exchange Rate Forecasts (Mid-Point of Range) |        |        |        |
|---------|--|--------|--------|--------|
|         | Current                                      | End Q3 | End Q4 | End Q1 |
|         |  | 2024   | 2024   | 2025   |
| EUR/USD | 1.1113                                       | 1.10   | 1.11   | 1.12   |
| EUR/GBP | 0.8472                                       | 0.87   | 0.87   | 0.88   |
| EUR/JPY | 162.27                                       | 160    | 159    | 158    |
| GBP/USD | 1.3117                                       | 1.26   | 1.28   | 1.28   |
| USD/JPY | 146.01                                       | 145    | 143    | 141    |

Current Rates Reuters, Forecasts AIB's ERU

| <i>Date</i>       | <i>UK &amp; Irish Time</i> | <i>Release</i>  | <i>Previous</i>                  | <i>Forecast</i>                  |
|-------------------|----------------------------|---|----------------------------------|----------------------------------|
| <b>This Week:</b> | <b>ECB Speakers:</b>       | Lane (Thur); Schnabel (Fri)   |                                  |                                  |
|                   | <b>BoE Speakers:</b>       |   |                                  |                                  |
|                   | <b>Fed Speakers:</b>       | Waller, Bostic (Wed); Bostic (Thur)   |                                  |                                  |
| <b>Mon 26th</b>   | <b>UK:</b>                 | <b>Bank Holiday (Public Holiday)</b>  |                                  |                                  |
|                   | <b>GER:</b> 09:00          | Ifo Business Climate (August)   | 87.0                             | 86.1                             |
|                   | <b>US:</b> 13:30           | Durable Goods (July)<br>- Ex-Transport  | -6.7%<br>+0.4%                   | +4.8%<br>+0.0%                   |
| <b>Tue 27th</b>   | <b>GER:</b> 07:00          | German GDP (Q2: Detailed Reading)   | -0.1% (+0.3%)                    | -0.1% (+0.3%)                    |
|                   | <b>UK:</b> 11:00           | CBI Distributive Trades (August)  | -43.0                            |                                  |
|                   | <b>US:</b> 14:00           | Case-Shiller House Prices (June)  | +0.3% (+6.8%)                    |                                  |
|                   | <b>US:</b> 15:00           | Conference Board Consumer Confidence (Aug)  | 100.3                            | 100.3                            |
| <b>Wed 28th</b>   | <b>FRA:</b> 07:45          | INSEE Consumer Confidence (August)  | 91.0                             | 92.0                             |
|                   | <b>EU-20:</b> 09:00        | M3 Annual Money Growth (July)   | 2.2%                             | 2.7%                             |
| <b>Thu 29th</b>   | <b>SPA:</b> 08:00          | Flash HICP Inflation (August)   | -0.7% (+2.8%)                    |                                  |
|                   | <b>EU-20:</b> 10:00        | EC Economic Sentiment Indicator (August)<br>- Industrial / Services / Consumer              | 95.8<br>-10.5 / 4.8 / -13.0      | 96.0<br>-10.5/ 5.2/-13.4         |
|                   | <b>GER:</b> 13:00          | Flash HICP Inflation (August)   | +0.5% (+2.6%)                    | +0.1% (+2.3%)                    |
|                   | <b>US:</b> 13:30           | GDP (Q2: Second Estimate)   | +2.8% s.a.a.r.                   | +2.8% s.a.a.r.                   |
|                   | <b>US:</b> 13:30           | PCE Prices (Q2: Second Estimate)<br>- Core-PCE Prices                                       | +2.6% s.a.a.r.<br>+2.9% s.a.a.r. | +2.6% s.a.a.r.<br>+2.9% s.a.a.r. |
|                   | <b>US:</b> 13:30           | Initial Jobless Claims (w/e 19th August)  | +232,000                         | +235,000                         |
| <b>Fri 30th</b>   | <b>JPN:</b> 00:30          | Tokyo CPI Inflation (August)<br>- Ex-Fresh Food   | (+2.2%)<br>(+2.2%)               | (+2.2%)<br>(+2.2%)               |
|                   | <b>JPN:</b> 00:30          | Jobs/Applicants Ratio (July)  | 1.23                             | 1.23                             |
|                   | <b>JPN:</b> 00:30          | Unemployment Rate (July)  | 2.5%                             | 2.5%                             |
|                   | <b>JPN:</b> 00:50          | Industrial Production (July)  | -4.2% (-4.8%)                    | +3.3%                            |
|                   | <b>JPN:</b> 00:50          | Retail Sales (July)   | (+3.7%)                          | (+2.9%)                          |
|                   | <b>GER:</b> 07:00          | Retail Sales (June)   | -1.2% (-0.6%)                    | +0.4%                            |
|                   | <b>FRA:</b> 07:45          | GDP (Q2: Final Reading)   | +0.3% (+1.1%)                    | +0.3% (+1.1%)                    |
|                   | <b>FRA:</b> 07:45          | CPI Inflation (August)  | +0.2% (+2.7%)                    | +0.5% (+2.1%)                    |
|                   | <b>GER:</b> 08:55          | Unemployment Rate (August)  | 6.0%                             | 6.0%                             |
|                   | <b>ITA:</b> 09:00          | ISTAT Business Confidence (August)  | 87.6                             | 87.5                             |
|                   | <b>ITA:</b> 09:00          | ISTAT Consumer Confidence (August)  | 98.9                             | 98.7                             |
|                   | <b>ITA:</b> 09:00          | Unemployment Rate (July)  | 7.0%                             | 7.0%                             |
|                   | <b>UK:</b> 09:30           | BoE Mortgage Approvals (July)   | 59,976                           | 60,500                           |
|                   | <b>EU-20:</b> 10:00        | Flash HICP Inflation (August)<br>- Ex-Food & Energy<br>- Ex-Food, Energy, Alcohol & Tobacco | (+2.6%)<br>(+2.8%)<br>(+2.9%)    | (+2.2%)<br>(+2.7%)<br>(+2.8%)    |
|                   | <b>EU-20:</b> 10:00        | Unemployment Rate (July)  | 6.5%                             | 6.5%                             |
|                   | <b>ITA:</b> 10:00          | Flash HICP Inflation (August)   | -0.9% (+1.6%)                    | +0.1% (+1.3%)                    |
|                   | <b>IRE:</b> 11:00          | <b>Retail Sales (July)</b>  | <b>-1.4% (-1.8%)</b>             |                                  |
|                   | <b>US:</b> 13:30           | Personal Income / Consumption (July)  | +0.2% / +0.3%                    | +0.2% / +0.5%                    |
|                   | <b>US:</b> 13:30           | PCE Prices (July)<br>- Core-PCE Prices  | +0.1% (+2.5%)<br>+0.2% (+2.6%)   | +0.2% (+2.6%)<br>+0.2% (+2.7%)   |
|                   | <b>US:</b> 15:00           | Final Uni. Michigan Consumer Sentiment (Aug)  | 67.8                             | 68.0                             |

◆ *Month-on-month changes (year-on-year shown in brackets)*