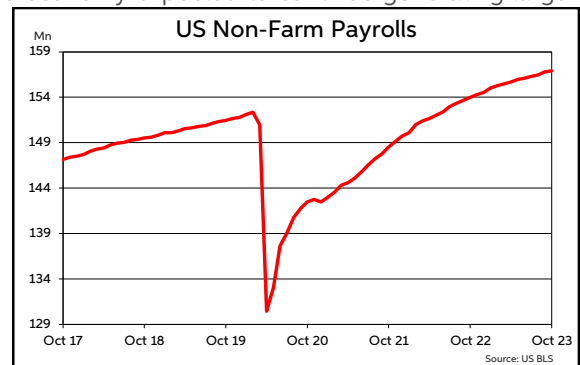


Labouring the Point

- National Accounts data show that GDP is in decline, but this largely relates to a fall in contract manufacturing activity abroad by Irish based companies.** The latest labour market data, by contrast, point to a still strong Irish economy. Employment was up by 4% in the past year and rose by 1% between the second and third quarters of 2023 according to the latest CSO figures. Growth in employment was evident across all regions of the country and also in every sector of the economy, bar construction and manufacturing. The declines in these two sectors are not surprising given the weakness in commercial building activity and industrial production seen in 2023.
- In total, the economy added over 100,000 jobs in the past year.** This brings the rise in employment over the past four years to 333,000 or 14.3%, a period of time when the economy has had to withstand COVID-19, Brexit, slower global growth, a cost-of-living crisis and sharp rise in interest rates. The labour force is growing very strongly too. It has increased by 333,000 also in the past four years and 111,000 in the latest twelve-month period. Two factors in particular are driving the strong labour force growth; a rising participation rate (defined as the percentage of the working-age population in the labour force) and large scale net inward migration. In regard to the latter, the number of non-Irish citizens in the labour force rose by 55,000 over the past year. The vast bulk of these immigrants are from outside the EU, a notable change from a couple of decades ago. Overall, non-Irish citizens now account for 20% of employment, or one-in-five jobs in the economy.
- Meantime, the participation rate increased by 1.0 percentage point to 65.8% over the past year, boosting the labour force by 52,000.** This is nearly all due to rising female participation rates, which increased from 58.9% to 60.8% in the past year. The rate stood at 56.1% four years ago, pre-COVID. It may be that the move to more flexible working arrangements in recent years, in particular remote working or working-from-home, is making it easier for women to remain in, or re-join, the labour force. Cost of living pressures may also be causing more women to take up employment at a time when jobs are plentiful. Whatever the reason, having being broadly stable between 2005 and 2020, the female participation rate has surged in the past three years.
- One unusual feature of the labour market in the last six months has been a pick-up in unemployment at a time of rapid job growth.** This simply reflects the fact that the labour force is growing more strongly than employment. The jobless rate has risen from 4.1% to 4.8% between May and October. This should not be taken as a sign of weakening economic activity as employment growth has not slowed down over this period. Indeed, it is a welcome sign that one of the constraints facing the economy - a very tight labour market - is easing somewhat. Overall, the labour market data paint a picture of a flexible and dynamic economy and society that is undergoing considerable change. It is unlikely that the trends of strong inward migration and greater participation by females in the workforce will reverse any time soon, with the economy expected to continue generating large numbers of jobs.
- Turning to the week ahead, the focus will be on the US labour market report for November.** There have been tentative signs of a softening in labour market conditions recently, albeit they remain tight overall. Payrolls undershot expectations in October, rising by just 150k in the month, down from 260k per month in the first three quarters of the year. Furthermore, the unemployment rate has been edging higher recently, rising to 3.9% in October. Although, this is still a low rate of unemployment, it is the highest since January 2022, and up from 3.5% in January of this year. As conditions in the job's market have softened, wage growth has eased somewhat. Average earnings expanded by between 0.3-0.6% per month between March 2022-September 2023, before rising by just 0.2% in October. As a result, annual wage growth slowed to 4.1% in October, its lowest level since June 2021, and down from 4.3% throughout Q3. Labour market conditions are expected to be little changed in November. An increase of 170K is pencilled in for non-farm payrolls, while the unemployment rate is forecast to remain at 3.9%, with annual average earnings growth easing to 4.0%.
- Other measures of labour market conditions have softened recently as well.** Job openings, as registered by JOLTS for October are due. They stood at 9.55m in September, up slightly from 9.5m in August, but well below the total of 11.2m at the end of 2022. Elsewhere in the US, a modest improvement in the non-manufacturing ISM is anticipated in November, with the headline index rising to 52.0 from 51.8. Similarly, the Michigan measure of consumer sentiment is projected to end a run of four consecutive falls, rising slightly to 61.8 in December, amid the recent decline in inflation.
- In the Eurozone, the revised reading of GDP is set to confirm that the economy contracted by 0.1% in the third quarter.** Meanwhile, retail sales are forecast to rise by 0.2% in October, leaving them 0.9% lower in year-on-year terms. In terms of more timely economic indicators, the EU sentix index is expected to improve to -17.2 in December, its highest level since June.



	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2023	2024	2024
Fed Funds	5.375	5.375	5.375	5.125
ECB Deposit	4.00	4.00	4.00	3.75
BoE Repo	5.25	5.25	5.25	5.25
BoJ OCR	-0.10	-0.10	-0.10	0.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2023	2024	2024
EUR/USD	1.0866	1.08	1.09	1.10
EUR/GBP	0.8576	0.86	0.86	0.86
EUR/JPY	160.02	160	157	153
GBP/USD	1.2668	1.26	1.27	1.28
USD/JPY	147.25	148	144	139

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	de Guindos, Lagarde (Mon)		
	BoE Speakers:			
	Fed Speakers:			
Mon 4th	GER:	07:00 Trade Balance (October)	+€16.5bn	+€17.0bn
		- Exports	(-2.4%)	(+1.0%)
	EU-20:	09:30 EU Sentix Index (December)	-18.6	-17.2
	US:	15:00 Factory Orders (October)	+2.8%	-2.5%
		- Durable Goods	-5.4%	
		- Durable Goods (Ex-Transport)	+0.0%	
	IRL:	16:30 Exchequer Returns (November)	Nov'22: +€12.1bn	+€4.5bn
		- Excluding Transfer to NRF	Nov'22: +€14.1bn	+€8.5bn
Tue 5th	IRL:	01:01 AIB Services PMI (November)	52.6	
	FRA:	07:45 Industrial Output (October)	-0.5%	+0.2%
	ITA:	08:45 HCOB Composite PMI (November)	47.0	47.5
	FRA:	08:50 Final HCOB Composite PMI (November)	44.5	44.5
	GER:	08:55 Final HCOB Composite PMI (November)	47.1	47.1
	EU-20:	09:00 Final HCOB / S&P Composite PMI (November)	47.1	47.1
		- Final HCOB / S&P Services PMI (November)	48.2	48.2
	UK:	09:30 Final CIPS / S&P Composite PMI (November)	50.1	50.1
		- Final CIPS / S&P Services PMI (November)	50.5	50.5
	EU-20:	10:00 Producer Prices (October)	+0.5% (-12.4%)	+0.2% (-9.4%)
	US:	14:45 Final S&P Composite PMI (November)	50.7	50.7
		- Final S&P Services PMI (November)	50.8	50.8
	US:	15:00 Non-Manufacturing ISM (November)	51.8	52.0
	US:	15:00 JOLTS Job Openings (October)	9.553m	
Wed 6th	GER:	07:00 Industrial Orders (October)	+0.2%	+0.0%
	EU-20:	10:00 Retail Sales (October)	-0.3% (-2.9%)	+0.2% (-0.9%)
	IRL:	11:00 Unemployment Rate (November)	4.8%	4.9%
	US:	13:15 ADP National Employment (November)	+113,000	+120,000
	US:	13:30 International Trade (October)	-\$61.5bn	-\$64.0
	US:	13:30 Unit labour Costs (Q3: Revised Reading)	-0.8% s.a.a.r.	
	US:	13:30 Productivity (Q3: Revised Reading)	+4.7% s.a.a.r.	
Thu 7th	CHINA:	03:00 Trade Balance (November)	+\$56.5bn	
		- Exports	(-6.4%)	
	GER:	07:00 Industrial Output (October)	-1.4% (-3.9%)	+0.5% (-2.6%)
	UK:	07:00 Halifax House Prices (November)	+1.1% (-3.2%)	
	ITA:	09:00 Industrial Output (October)	+0.0% (-2.0%)	-0.3% (-1.2%)
	ITA:	09:00 Retail Sales (October)	-0.3% (+1.3%)	
	EU-20:	10:00 GDP (Q3: Revised Reading)	-0.1% (+0.1%)	-0.1% (+0.1%)
	EU-20:	10:00 Employment (Q3: Final Reading)	+0.3% (+1.4%)	+0.3% (+1.4%)
	US:	13:30 Initial Jobless Claims (w/e 27th November)	+218,000	+225,000
Fri 8th	JPN:	05:00 Economy Watchers Poll (November)	49.5	
	GER:	07:00 Final HICP Inflation (November)	-0.7% (+2.3%)	-0.7% (+2.3%)
	US:	13:30 Non-Farm Payrolls (November)	+150,000	+170,000
		- Unemployment Rate	3.9%	3.9%
		- Average Earnings (November)	+0.2% (+4.1%)	+0.3% (+4.0%)
	US:	15:00 Preli. Uni. Michigan Consumer Sentiment (Dec)	61.3	61.8

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