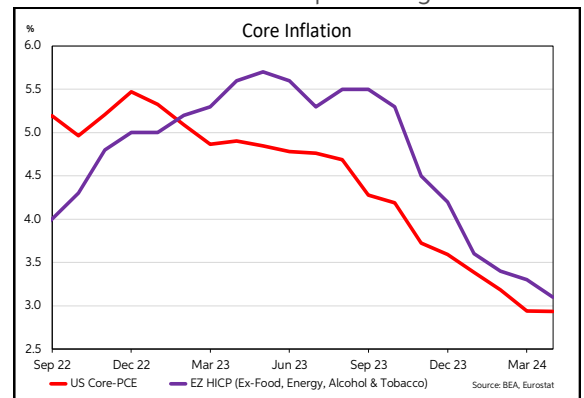


Hot Irish Labour Market Coming Off the Boil

- Irish labour market expanded at a more moderate pace in Q1, but the data still point to robust growth in the Irish economy at the start of 2024.** Employment increased by 0.4% in the quarter, but the annual growth rate slowed to 1.9% y/y (+3.4% y/y in Q4 2023). This is the slowest pace in three years and follows a period of rapid growth in the post-COVID period. Indeed, employment in Ireland in Q1 was 343,000 or 14.4% above its pre-COVID level.
- At a sectoral level, the out-turn was mixed, with nine sectors seeing annual increases and five sectors falling.** The biggest increases in employment were in the Professional, Scientific, and Technical sector (+15.4% y/y), Agriculture (+6.4%) and Construction (+5.5% y/y). The weakest out-turn were in Industry (-3.3% y/y), reflecting a more challenging business environment in that sector, as indicated in recent AIB Manufacturing PMI surveys. Employment was also lower in Admin & Support Services (-2.6%), Wholesale & Retail (-1.6%), Transport & Storage (-1.5%), and Health (-0.2%), all with large employment bases in the services sector. Overall then, employment growth has narrowed somewhat over the past year to a smaller number of sectors.
- Unemployment remains exceptionally low falling to 4.3% in Q1 2024 from 4.5% in Q4 2023 with other measures of labour market “slack” pointing to very tight labour market conditions.** Long term unemployment fell further, as did those working part-time who could not find full-time work. Indeed, the key driver of jobs growth during the quarter was persons moving into full-time work, underpinned by continued strong population growth. However, it should also be noted that the potential labour force rose sharply by 28% y/y in the first quarter, indicating that the supply of workers could respond to alleviate potential constraints in the labour market if required.
- Next week’s CSO earnings and labour cost statistics will give a fuller picture of the labour market, with employer demand likely to have cooled further in recent months from the exceptional post-COVID highs.** This has been signalled in industry surveys, such as Indeed job postings which suggest jobs growth, while still robust, has cooled in recent months. In any case, with employment continuing to rise, unemployment exceptionally low, and given the recent expansion of the potential labour force, it is clear that the job’s market should continue to underpin solid growth in the Irish economy this year.

Turning to the week ahead, the main focus will be on the latest batch of Eurozone and US inflation data. Starting with the Eurozone, Headline HICP has resumed its downward trend this spring. Having rose to 2.9% in December, and printed at 2.8% in January, it eased to 2.4% in March and April. Furthermore, core inflation has remained on a clear downward path in recent months. The ex-food and energy rate dropped to 2.8% in April, below 3% for the first time since February 2022. Meantime, the core rate that excludes energy, food, alcohol and tobacco declined to 2.7%, . Encouragingly, services inflation which has been quite sticky and elevated, declined to 3.7% in April, having stood at 4% in the five months prior. The consensus, is for the headline rate to inch higher to 2.5% in May, while the ex-food & energy rate is forecast to edge lower to 2.7%.



- In the US, the inflation backdrop has been of more concern in recent months.** The disinflationary trend in the headline rate has stalled, while progress in returning core inflation to 2% has slowed in 2024. Headline PCE inflation rose to 2.7% in March, from 2.5% in January and February. Meantime, core-PCE inflation, which fell sharply in the second half of 2023, printed at 2.8% in February and remained at that level in March. Furthermore, no change in either the headline or core rates is envisaged in April, with the former staying at 2.7% and the latter at 2.8%.
- Elsewhere in the US, the latest monthly personal consumption and income data are due.** In March both metrics rose by a significant 0.5%, suggesting the all important US consumer remained in rude health at the end of Q1, despite sticky inflation. However, a rundown in excess savings suggests consumer spending may slow in the coming months. Indeed, the forecast is for a 0.3% rise in income in April, but for real consumer spending to flat-line in the month. Meanwhile, the Conference Board measure of consumer confidence is projected to edge slightly lower in May.
- In the Eurozone a slew of survey data for May will be released.** The EC services and industrial sector indices are expected to rise in May, in-line with an improvement in the overall sentiment indicator. Meantime, the bellwether German Ifo is projected to register a modest increase. A slight improvement in German and French consumer confidence is also anticipated. In terms of the labour market, the unemployment rate is forecast to stay at 6.5% in April.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2024	2024	2024
Fed Funds	5.375	5.375	5.125	4.875
ECB Deposit	4.00	3.75	3.50	3.25
BoE Repo	5.25	5.25	5.00	4.75
BoJ OCR	0.10	0.10	0.25	0.25

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
		2024	2024	2024
EUR/USD	1.0850	1.08	1.10	1.11
EUR/GBP	0.8511	0.86	0.87	0.87
EUR/JPY	170.30	167	171	170
GBP/USD	1.2747	1.25	1.26	1.28
USD/JPY	156.94	155	155	153

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:			
	BoE Speakers:			
	Fed Speakers:	Mester, Kashkari, Cook (Tue); Williams (Wed); Bostic & Logan (Thu); Bostic (Fri)		
Mon 27th	GER: 09:00	German Ifo (May)	89.4	90.4
Tue 28th	IRL: 11:00	Retail Sales (April)	+1.7% (+1.0%)	
	US: 14:00	Case-Shiller House Prices (March)	+0.6% (+7.3%)	
	US: 15:00	Conference Board Consumer Confidence (May)	97.0	96.0
Wed 29th	GER: 07:00	Gfk Consumer Sentiment (June)	-24.2	-22.4
	FRA: 07:45	Consumer Confidence (May)	90.0	91.0
	EU-20: 09:00	M3 Money Annual Growth (April)	+0.9%	+1.3%
	ITA: 09:00	ISTAT Business Confidence (May)	87.6	
	ITA: 09:00	ISTAT Consumer Confidence (May)	95.2	
	IRL: 11:00	Earnings & Labour Costs (Q1 2024)		
	GER: 13:00	Flash HICP Inflation (May)	+0.5% (+2.2%)	+0.2% (+2.7%)
Thu 30th	SPA: 08:00	Flash HICP Inflation (May)	+0.6% (+3.4%)	(+3.7%)
	EU-20: 10:00	EC Economic Sentiment (May)	95.6	96.2
		- Industrial / Services / Consumer	-10.5 / 6.0 / -14.3	-9.3 / 6.5 / -14.3
	EU-20: 10:00	Unemployment Rate (April)	6.5%	6.5%
	ITA: 10:00	Producer Prices (April)	-0.2% (-9.6%)	
	IRL: 11:00	Flash HICP Inflation (May)	+0.2% (+1.6%)	
	US: 13:30	GDP (Q1: Second Estimate)	+1.6% S.a.a.r.	+1.6% S.a.a.r.
	US: 13:30	PCE Prices (Q1: Second Reading)	+3.4% S.a.a.r.	+3.4% S.a.a.r.
		- Core-PCE Prices	+3.7% S.a.a.r.	+3.7% S.a.a.r.
	US: 13:30	Initial Jobless Claims (w/e 20th May)	+215,000	+219,000
Fri 31st	JPN: 00:30	Jobs/Applicants Ratio (April)	1.28	1.28
	JPN: 00:30	Unemployment Rate (April)	2.6%	2.6%
	JPN: 00:50	Industrial Output (April)	+0.4% (-3.1%)	+0.9%
	JPN: 00:50	Retail Sales (April)	(+1.2%)	(+1.9%)
	GER: 07:00	Retail Sales (April)	+1.8% (+0.3%)	
	FRA: 07:45	GDP (Q1: Final Reading)	+0.2% (+1.1%)	+0.2% (+1.1%)
	FRA: 07:45	Flash HICP Inflation (May)	+0.6% (+2.4%)	+0.3% (+2.6%)
	FRA: 07:45	Producer Price Inflation (May)	-0.2% (-7.5%)	
	ITA: 09:00	GDP (Q1: Final Reading)	+0.3% (+0.6%)	+0.3% (+0.6%)
	UK: 09:30	Mortgage Approvals (April)	+61,325	+61,300
	EU-20: 10:00	Flash HICP Inflation (May)	+0.1% (+2.4%)	+% (+2.5%)
		- Ex-Food & Energy	+0.6% (+2.8%)	+% (+2.7%)
		- Ex- Food, Alcohol, Energy & Tobacco	+0.7% (+2.7%)	
	ITA: 10:00	Flash HICP Inflation (May)	+0.5% (+0.9%)	+0.3% (+0.7%)
	US: 13:30	Personal Income / Consumption	+0.5% / +0.5%	+0.3% / +0.0%
	US: 13:30	PCE Price Inflation (April)	+0.3% (+2.7%)	+0.3% (+2.7%)
		- Core-PCE Prices	+0.3% (+2.8%)	+0.3% (+2.8%)

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