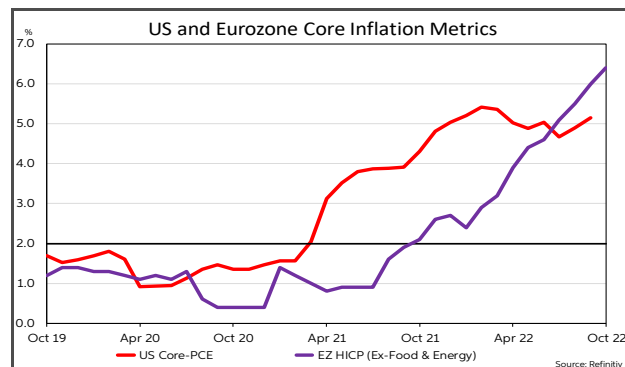


The Labourers are Few

- Strong inflows of Foreign Direct Investment (FDI) have been a key factor behind the extraordinary growth in output, exports and employment enjoyed by the Irish economy in the past couple of years.** Recent announcements of job losses at US technology companies with significant operations in Ireland have sparked concerns about the health of the sector, as well as the prospects for continued inflows of FDI, at a time of a downturn in the global economy. A survey of American Chamber of Commerce members in Ireland published this week, provides reassurance in this regard. It shows that over 60% of US companies based in Ireland expect to expand their workforces in the coming year, while just 4% of companies expect to shrink employee numbers. A key challenge may be sourcing these workers, especially with the IDA reporting a good pipeline of FDI for 2023. Thus, CBI Governor Makhlouf's description of the recent lay-offs in the tech sector as merely a "pause" and "a recalibration" of growth in the sector may well prove to be correct.
- A clear headwind to Irish growth prospects, though, is the emerging capacity constraints in the economy.** The American Chamber of Commerce survey reveals that companies' biggest concerns are around the shortage of housing, unwieldy planning system, energy supply and costs, and the availability of labour. In regard to the latter, the results of the Q3 2022 Labour Force Survey published last week reveal clear signs of capacity constraints in the labour market. It showed that the unemployment rate remained at a twenty year low, below 4.5% for the second quarter running. Meanwhile, the sharp pick-up in the labour force participation rate from 62.2 in 2019 to 65.0 by end 2021 has levelled off. Indeed, the rate edged lower to 64.7 in Q3 2022.
- As a result, growth in the labour force is now slowing down.** The labour force has expanded by just 16,000 or 0.6% in the past two quarters, or at an annualised rate of 1.2%. In year-on-year terms, the labour force grew by 2% or 53,000 in the past year. However, the number of Irish citizens in the labour force fell by 14,000 over this period, while the number of non-Irish citizens increased by 67,000, of which 55,000 were non-EU citizens. Some 60% of the growth in Irish employment in the past year was accounted for by non-EU citizens. Thus, Ireland has become heavily reliant on non-EU workers to fill job vacancies. Labour shortages may be partly the reason why variations in the numbers employed are starting to emerge across different sectors. The past year has seen strong growth in employment in industry, construction, ICT and health care. By contrast, numbers employed have fallen in agriculture, hospitality and financial services.
- Another sign of tightness in the labour market is that the growth in employment is all in full-time jobs, which rose by over 4% in the past year, while part-time numbers remain largely static.** It would seem then that the labour market is facing a squeeze from all directions; unemployment has fallen to very low levels, the surge in participation has levelled off and may even be starting to decline, while the part of the labour force comprising Irish citizens is now shrinking despite favourable demographics. The latter suggests a pick-up in outward migration, possibly after a hiatus caused by the pandemic. Overall, the harvest may be rich but the labourers are few, leaving the Irish economy very reliant on workers from overseas.
- In the US, labour market conditions have been very tight for quite some time.** An update on conditions in the form of the US job's market report for November will be the main data highlight this week. The consensus is for another solid increase in non-farm payrolls of 200k in November. Meanwhile, the unemployment rate is forecast to edge slightly higher to 3.8% from 3.7%. Average hourly earnings are projected to rise by 0.3% in the month, resulting in the year-on-year rate edging lower to 4.6%, from 4.7%. Similarly, core-PCE inflation is expected to slow to 5.0% in October, from 5.1% in September. The modest fall in Core-PCE would be a further tentative sign that price pressures are starting to level off in the US, with CPI inflation moving lower in October to 7.7% from 8.2%. Elsewhere, a modest deterioration in both the manufacturing ISM and the Conference Board measure of consumer confidence are pencilled in for November.



- Inflation data will also feature in the Eurozone this week.** Having accelerated to 10.6% in October, headline HICP inflation is projected to inch lower to 10.4% in November. The ex-food & energy reading, which has also risen sharply in recent months is expected to ease slightly to 6.3% from 6.4%. However, Eurozone inflation has printed above the consensus in each of the past seven months, suggesting there may be some upside risks attached to these forecasts. In terms of the labour market, the Eurozone unemployment rate is anticipated to be unchanged at 6.6% in October. Meanwhile, a slight improvement in the EC sentiment indices are envisaged in November, albeit, the survey readings are still expected to remain at very weak levels.
- In the UK, the only release of note will be Nationwide house price data.** Having declined by 0.9% in October, the consensus is for a 0.5% rebound in November, although there are clear downside risks to this forecast due to rising interest rates.

	Interest Rate Forecasts			
	Current	End Q4	End Q1	End Q2
		2022	2023	2023
Fed Funds	3.875	4.375	4.875	4.875
ECB Deposit	1.50	2.00	2.75	2.75
BoE Repo	3.00	3.50	4.00	4.00
BoJ OCR	-0.10	-0.10	-0.10	-0.10

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q4	End Q1	End Q2
		2022	2023	2023
EUR/USD	1.0386	1.03	1.04	1.05
EUR/GBP	0.8598	0.87	0.88	0.89
EUR/JPY	144.70	144	144	144
GBP/USD	1.2077	1.18	1.18	1.18
USD/JPY	139.29	140	138	137

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lagarde (Mon); de Guindos, Schnabel (Tue); Lane (Thu); Lagarde, de Guindos (Fri)		
	BoE Speakers:	Mann (Tue); Pill (Wed)		
	Fed Speakers:	Williams (Mon); Powell, Bowman, Cook (Wed); Logan (Thu); Evans (Fri)		
Mon 28th	EU-19: 09:00	M3 Money Annual Growth (October)	(+6.3%)	(+6.2%)
	IRL: 11:00	Retail Sales (October)	-3.1% (-7.0%)	+1.2% (-4.4%)
	JPN: 23:30	Jobs/Applicants Ratio (October)	1.34	1.35
	JPN: 23:30	Unemployment Rate (October)	2.6%	2.5%
	JPN: 23:30	Retail Sales (October)	(+4.8%)	(+5.0%)
Tue 29th	UK: 09:30	Mortgage Approvals (October)	+66,789	+60,200
	EU-19: 10:00	EC Economic Sentiment Index (November)	92.5	93.5
		- Consumer / Industrial / Services	-23.9 / -1.2 / 1.8	-23.9 / -0.2 / 2.0
	GER: 13:00	Flash HICP (November)	+1.1% (+11.6%)	+0.1% (+11.3%)
	US: 14:00	Case-Shiller House Prices (September)	-1.3% (+13.1%)	
	US: 15:00	Conference Board Consumer Confidence (Nov)	102.5	100.0
Wed 30th	FRA: 07:45	GDP (Q3: Final Reading)	+0.2% (+1.0%)	+0.2% (+1.0%)
	FRA: 07:45	Flash HICP (November)	+1.2% (+7.1%)	+0.4% (+7.0%)
	GER: 08:55	Unemployment Rate (November)	5.5%	5.5%
	ITA: 09:00	GDP (Q3: Final Reading)	+0.5% (+2.6%)	+0.5% (+2.6%)
	EU-19: 10:00	Flash HICP (November)	+1.4% (+10.6%)	+0.3% (+10.4%)
		- Ex-Food & Energy	+0.8% (+6.4%)	+0.0% (+6.3%)
	ITA: 10:00	Flash HICP (November)	(12.6%)	(+12.0%)
	IRL: 11:00	Unemployment Rate (November)	4.4%	4.5%
	US: 13:15	ADP National Employment (November)	+239,000	+200,000
	US: 13:30	GDP (Q3: Second Reading)	+2.6% s.a.a.r.	+2.7% s.a.a.r.
	US: 13:30	PCE Prices (Q2: Second Reading)	4.2%	+4.2%
		- Core-PCE Prices (Q2: Second Reading)	4.5%	+4.5%
	US: 15:00	JOLTS Job Openings (October)	+10.7m	+10.4m
Thu 1st	IRL: 01:01	AIB Manufacturing PMI (November)	51.4	
	GER: 07:00	Retail Sales (October)	+0.9% (-0.9%)	-0.6% (-1.8%)
	UK: 07:00	Nationwide House Prices (November)	-0.9% (+7.2%)	+0.5% (+8.2%)
	EU-19: 09:00	Final S&P Manufacturing PMI (November)	47.3	47.3
	ITA: 09:00	Unemployment Rate (October)	7.9%	7.9%
	UK: 09:30	Final CIPS/S&P Manufacturing PMI (November)	46.2	46.2
	EU-19: 10:00	Unemployment Rate (October)	6.6%	6.6%
	US: 13:30	Personal Income / Consumption (October)	+0.4% / +0.6%	+0.4% / +0.8%
	US: 13:30	PCE Prices (October)	+0.3% (+6.2%)	
		- Core-PCE	+0.5% (+5.1%)	+0.3% (+5.0%)
	US: 13:30	Initial Jobless Claims (w/e 21st November)	+240,000	+240,000
	US: 14:45	Final S&P Manufacturing PMI (November)	47.6	47.6
	US: 15:00	Manufacturing ISM (November)	50.2	49.8
Fri 2nd	GER: 07:00	Trade Balance (October)	+€3.7bn	+€5.5bn
		- Exports	-0.5%	-0.3%
	EU-19: 10:00	Producer Prices (October)	+1.6% (+41.9%)	-2.5% (+31.3%)
	IRL: 11:00	National Accounts (Q3 2022)		
		- GDP	Q3'21: +4.4% (+10.4%)	
	US: 13:30	Non-Farm payrolls (November)	+261,000	+208,000
		- Unemployment Rate	3.7%	3.8%
		- Average Earnings	+0.4% (+4.7%)	+0.3% (+4.6%)

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