

Economic Research Unit



Ireland's rapid pace of jobs growth continues into 2024

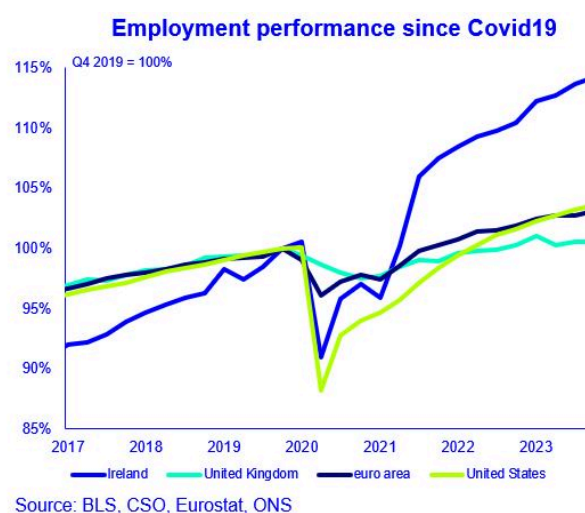
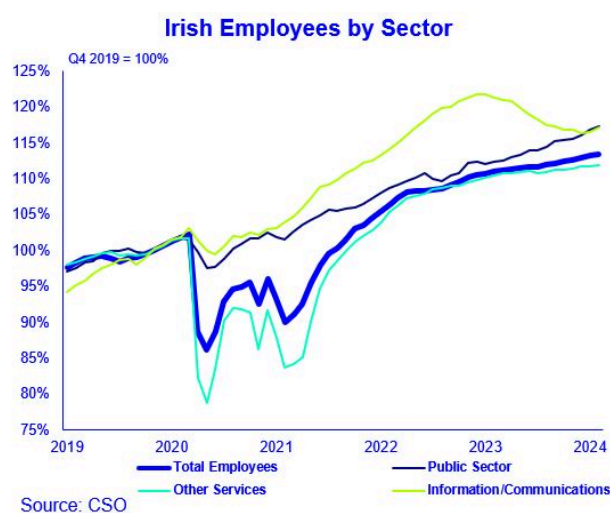
This week's CSO data showing a 0.7% gain in employee numbers to 2.47 million, adds to the evidence the labour market continued to grow rapidly in early 2024. Remarkably, Irish employment is now 14% above pre-pandemic levels. This exceptional performance has been facilitated by net inward migration, although skills shortages and other bottlenecks (not least in housing) are clearly a growing constraint. That said, given the healthy start to 2024, our forecast employment growth would slow to a 1.6% this year (from 3.4% through 2023) now looks increasingly conservative.

Employee numbers up 0.7% in three months to February: Central Statistics Office (CSO) data published this week showed employee numbers rose by 0.7% (or by 16,000) in the three months to February, to 2.47 million. Furthermore, this expansion was broad-based across construction (+0.4%), industry (+0.8%) the public sectors (+1.1%) and other services (+0.4%). These positive trends are consistent with the CSO's preliminary estimate of the unemployment rate, based off social welfare claims, falling from 4.5% in December to 4.3% in March. Similarly, income tax receipts in Q1 2024 were €7.9bn, up by 7.6% on 2023, and 3% ahead of the Department of Finance's official projections.

Ireland's exceptional labour market performance continues: Irish employment is now 14% above pre-pandemic end-2019 levels, vis-a-vis far shallower recoveries of just 3%, 0.5% and 4% in the euro area, UK and US respectively (see chart below). Ireland's defensive export sector clearly helped this out-performance. Multinational sector employment grew by 6% in 2021 and by 8% in 2022, to 302,000, but fell back slightly by -0.3% in 2023, hurt by job cuts in the information communications technology (ICT) sector. So the pattern changed last year. Indigenous firms and the public sector drove the 3.4% rise in employment through 2023.

Potential upside to our macroeconomic projections: It is striking Ireland has not yet seen a marked acceleration in pay growth. Average weekly earnings grew by 3.8% in 2023. Part of the explanation is that net migration has responded to job vacancies. Ireland's population grew by 97,600, or by 1.9% in 2023 to 5.28 million, of which 77,600 was accounted for by net migration. The consensus view amongst economists has been that skills shortages would slow the pace of Irish employment growth this year. However, following the strong start in the first quarter, our forecast that Irish employment growth will slow to 1.6% in 2024 (from 3.4% through 2023) now looks increasingly conservative.

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