

Economic Research Unit



Strong employment gains continue

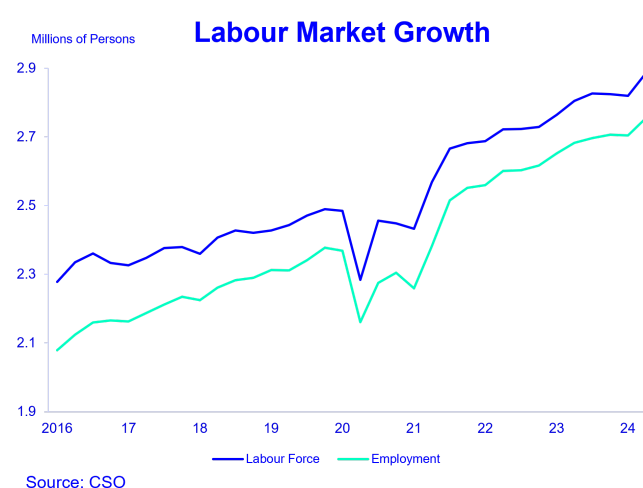
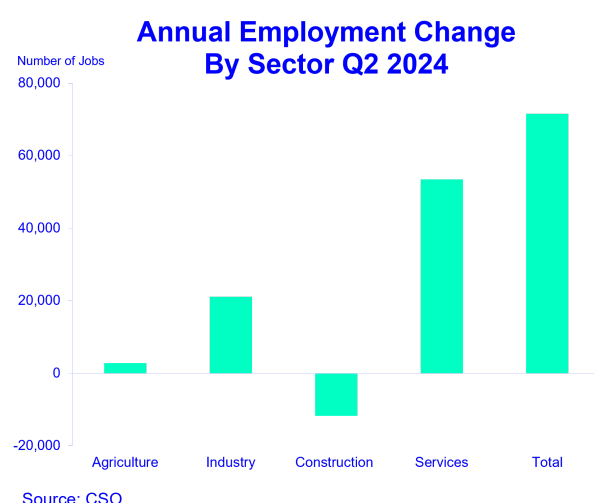
There appears to be little sign of a slowdown in jobs growth in Ireland, with seasonally adjusted employment increasing by 0.8% quarter-on-quarter in Q2 2024. This follows similar gains in each of the preceding three quarters with total employment rising to new high of 2.75m. Job gains are broad based and, while the unemployment rate did tick up last quarter, driven by a rise in the labour force on foot of strong inward migration and increased participation, it remained low at 4.4%. With employment growth running at 2.3% in the first half of the year, our full year forecast of 1.7% now looks on the low side.

Further employment gains in Q2: Employment rose by 2.7% (or 71,500) year-on-year in Q2 2024. This took total employment to an estimated 2,754,200, a record high and nearly 16% above the pre-pandemic level at the end of 2019. On a seasonally adjusted quarter-on-quarter basis, the increase was 0.8%, with the pace of job gains accelerating from 0.7% in Q1 2024 and 0.5% in Q4 2023. The industrial sector posted solid jobs gains in the year, up 6.6%, but construction employment fell 6.8%. The services sector continues to be the main driver of jobs growth, up 2.6%, with about three quarters of total annual employment gains in that sector. Within services, there was healthy growth in the highly skilled areas of professional, scientific and technical (+12.7%) and information and communication (+6.5%) while increased public spending of late is coming through in the public sector with employment increases in health and social work (+5.2%), education (+5.3%) and public administration (+5.1%). Some of the shine is taken off services performance by a sizable decline in employment in wholesale and retail trade, which fell 7.3% from Q2 of last year.

Labour force benefits from migration and participation: While employment gains continued last quarter, the seasonally adjusted unemployment rate ticked up to 4.4%, from 4.3% in Q1 and 4.2% in Q2 of 2023, and the most recent monthly estimate, for July, suggests a further pick up to 4.7%. However, the increase is down to gains in the labour force, which grew by 2.9% year-on year in Q2, rather than job losses. The participation rate increased for both men and women in the quarter taking the total participation rate to 66% (from 65.7% in Q2 2023), the highest level since 2008. There was also a continued sizable positive demographic effect which added 59,000 persons to the labour force in the year to Q2. This is driven largely by inward migration flows and suggests continued strong population growth when the 2024 estimate is published next week.

Healthy economic growth: While recent national accounts indicate that we could well see a negative GDP figure for the year as a whole, this is due to distortions caused by the multinational sector. However, this latest labour market data adds to the evidence that the weakness in headline GDP is not reflective of actual activity in the domestic economy, which remains solid and we expect growth of around 2.5% (modified domestic demand) this year. The jobs gains in highly skilled sectors such as professional, scientific and technical, industry and ICT suggest real activity in the MNC sector is probably increasing and the fall in output is due to changes in contract manufacturing which do not materially impact activity or employment here in Ireland. Indeed, with employment up by 2.3% year-on-year in H1 2024, our forecast of employment growth of 1.7% for the year as a whole now looks on the conservative side.

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