



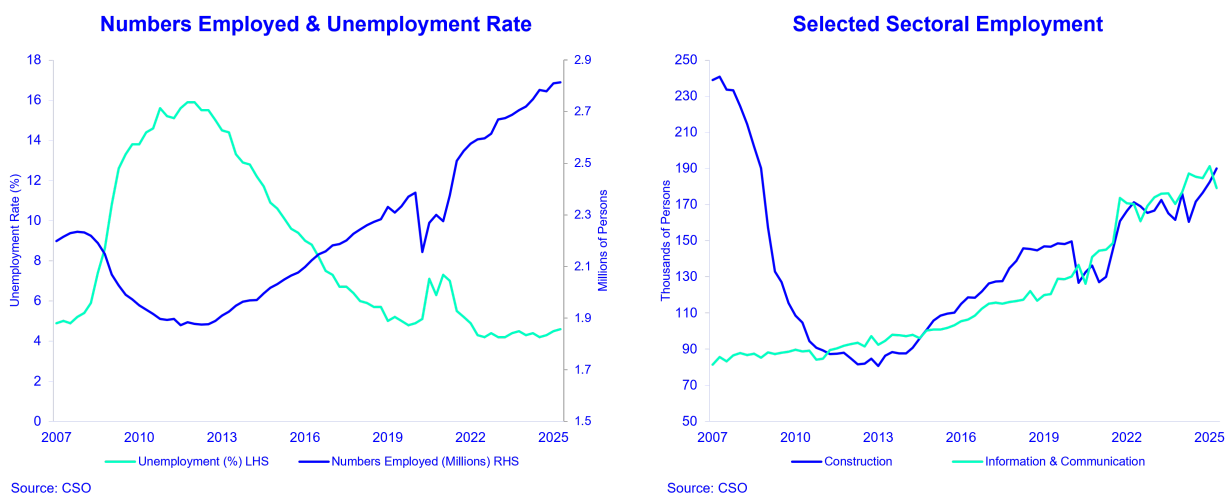
Irish employment at record high

Employment grew by 2.3% year-on-year (y-o-y) in Ireland in Q2 2025 taking the number employed to over 2.8m, a new record high. While quarterly growth was very modest, at just 0.1%, this followed a strong 1.1% quarterly increase in Q1. Job gains were broad based, though employment in 4 of the 14 sectors fell in the year (most notably in ICT), while there was a sizable gain in construction employment. The unemployment rate did tick up last quarter but it remained relatively low at 4.6%. Employment growth continues and the labour market remains quite tight but, while quarterly data can be volatile, we are seeing some signs of slowing from the unsustainable pace of employment growth present over the past number of years. This is in line with our view, and employment growth was running at 2.8% in the first half of the year, similar to our full year forecast of 2.6%

Employment rises in Q2: Employment rose by 2.3% (or 63,900) y-o-y in Q2 2025. This took total employment to an estimated 2,818,100, a record high and nearly 19% above the pre-pandemic level at the end of 2019. On a seasonally adjusted quarter-on-quarter basis, the increase was 0.1%, with the pace of job gains slowing sharply from 1.1% gain in Q1 2025. A rise in construction employment (+18.4% y-o-y or 29,600 jobs) was one of the key drivers behind the job gains with nearly 1 in every 2 net new jobs created over the past year within that sector. Construction job gains appear to have lagged demand within the sector in recent years and total construction employment of 190k is still 20% below its 2007 high despite the sharp rise in labour force and population since then. While the industrial sector also posted job gains in the year, up 1.6% or 5,400 jobs, the services sector was the other driver of employment growth, up 1.3% or 28,200 jobs, accounting for most of the other half of net job gains. Within services, while there was growth in the highly skilled areas of professional, scientific and technical (+3.2%) and finance and insurance (+5.0%) and also in skilled public sector areas such as health and social work (+3.9%) and education (+4.1%), there was a notable decline in information and communication employment which fell 4.1% in the year. This sector is going through some structural changes and this fall should be taken in the context of rapid employment growth in ICT during the COVID era, as despite the recent job losses, employment in the ICT sector is still nearly 40% higher than it was at the end of 2019.

Labour force gains see unemployment tick up: While employment increases continued last quarter, the seasonally adjusted unemployment rate ticked up to 4.6%, from 4.5% in Q1 and the most recent monthly estimate, for July, suggests a further pick up to 4.9%. However, the uptick in the unemployment rate is largely driven by labor force growth which grew by 2.5% y-o-y in Q2. The participation rate rose in both the year and the quarter taking the total participation rate to 66.4% (from 66% in Q2 2024), close to its highest level since 2008. There was also a continued sizable positive demographic effect which added 49,200 persons to the labour force in the year to Q2. This is driven largely by inward migration flows and we suspect that the population estimates due next week will show continued robust population growth.

Healthy economic growth: The very strong GDP outturn in Q1 caused us to revise up sharply our GDP estimate for this year to 8.1%. This, however, was largely driven by multinational sector effects such as surging US exports ahead of potential tariffs. However, we also revised up our modified domestic demand forecast to 2.9% and our employment growth forecast to 2.6%. This labour force survey data - along with other high frequency data (PMIs, retail sales, traditional sector manufacturing output etc.) - indicates the economy continues to grow solidly. There are, perhaps, some signs that the pace of employment growth is easing and that would be in line with our view as the pace of the past couple of years was unsustainable. Employment grew by 2.8% in the first half of 2025, more or less in line with our forecast of 2.6% for the year as a whole.



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