



What to make of the rise in Ireland's unemployment rate to 5%

Ireland's labour market data have been volatile of late. The CSO's initial estimate of the unemployment rate in June was 4%, subsequently revised up to 4.6%. The latest data now point to an abrupt spike up in the unemployment rate to 5% in July, sustained through the summer. However, seasonal factors may be at play (e.g. school/university closures) leading to a marked 2pp rise in the youth unemployment rate from 11.2% in June, to 13.4% in October. Here, the baby-boom towards the end of the Celtic Tiger era, now pushing up on the number of school leavers, may also be temporarily pushing up on unemployment.

Notably, while numbers unemployed have apparently grown by 26,000 over the past-twelve months to 147,000, there has been no commensurate rise in Live Register jobless claims, up by only 2000 over the same period. Together, these factors suggest the recent rise in the unemployment rate to 5% in Q3 2025 may reverse once the Labour Force Survey (LSF) for Q4 2025 is published in February.

Ireland's unemployment rate rises to 5% in Q3 2025: Ireland's labour market data have been volatile of late. The CSO's first estimate indicated unemployment had fallen to a 25-year low of 4.0% in June, but was subsequently revised up to 4.6%. The latest release for October, have revised up September's figure from 4.7% to 5.1%, indicating an abrupt rise in the unemployment rate took place through the summer (**see chart below**). However, the third quarter often sees unemployment rising due to seasonal effects (e.g. school and university closures) which the CSO struggles to fully compensate for. So it is unclear if the Irish unemployment rate has truly increased.

Spike in youth unemployment points to temporary, seasonal factors at play: Circa 40% of the sharp rise in the unemployment rate from 4.6% in June to 5% in July was accounted for by youth unemployment - those aged 15-25 years. This youth unemployment rate has increased from 10.9% one year ago to 11.2% in June and now 13.4% in October. This points to seasonal factors being potentially at play. Put simply, younger workers may be struggling to find work during the summer when employment in sectors such as retail and hospitality is depressed.

Another factor here is the baby boom towards the end-of the Celtic Tiger era. The number of births rose from 61,400 in 2005, to a peak of 77,200 in 2010, before quickly receding back to 66,400 by 2015. So the number of school leavers is now rising, likely temporarily pushing up on the youth unemployment rate during the summer. In contrast, the unemployment rate for those aged 25-74 years has been relatively stable, rising by just 0.1pp between June and October, to 3.8%.

Stability in jobless claims is encouraging: The CSO data indicate unemployment has increased from 121,000 to 147,000 over the past twelve months. However, it is striking that the number of Live Register jobless claims has been flat over the same period, up just 1% over the past twelve months from 164,000 in October 2024 to 166,000 in October 2025 - still close to the lowest level since 2007.

The same is true of the key June/July 2025 months, which saw the recent spike-up in the unemployment rate from 4.6% to 5.0% (**see chart below**). Again, the message here is that the summer may have seen a temporary rise in the unemployment rate, which could reverse in Q4, but which will only become apparent when the Q4 2025 Labour Force Survey is published in February 2026.

Other indicators still point to slower, but robust employment growth: Recent survey indicators point to slower, but consistent jobs growth in the Irish economy. Ireland's PMI surveys for October pointed to modest jobs growth in the services sector, but with employment expanding at a faster pace than the long-run average in manufacturing. There has also been no marked deterioration in the European Commission's Business Confidence survey for Ireland, for those questions relating to employment intentions.

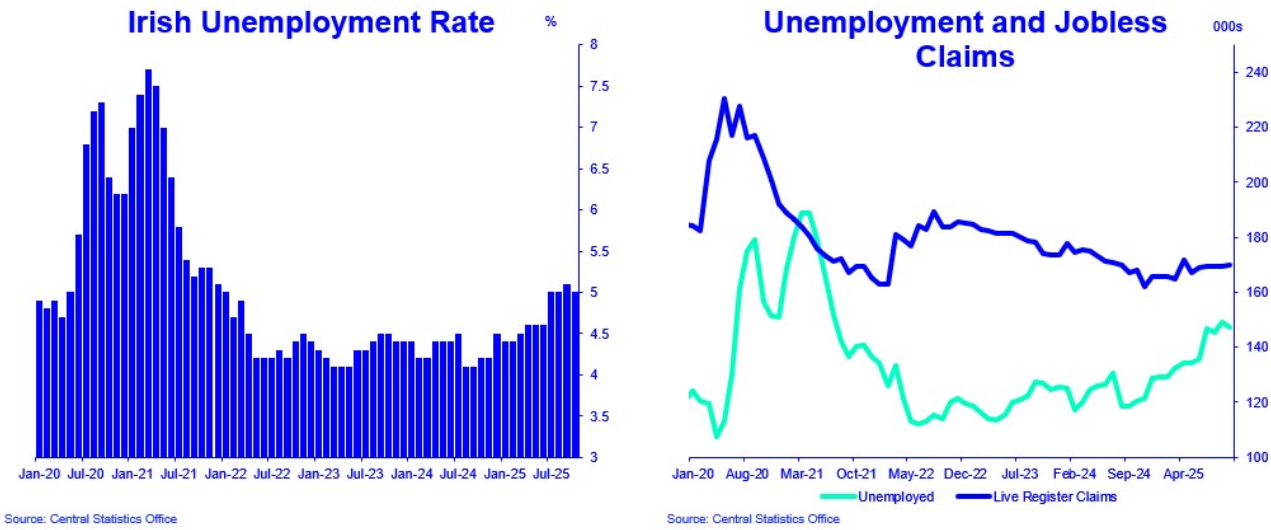
That said, the CSO's estimate of employee numbers (based off income tax returns) indicated jobs growth had slowed to 1.7% in August, to 2.56 million. Employment growth is slowing from exceptional 3% rates seen in recent years to a more sustainable, consistent pace. Nonetheless, the recent rise in the unemployment rate to 5% likely overstates the extent of the true slowdown in the labour market.

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