Economic Research Unit

Economics Weekly

Revisions point to Ireland's labour market in a healthier place

This morning's CSO data show employee numbers grew by 2.0% to 2.58 million in December. This is a welcome bounce-back in the pace of job creation from the subdued 0.6% growth initially estimated for November. The fresh jobs data also follow the CSO's sharp downward revision to the Irish unemployment rate to 4.7% in January, down from 5% initially estimated for Q4. Ireland's labour market is clearly in a better place than the CSO's data first indicated.

Together the revisions mean the headline measure of employment growth, due to be published in next week's Labour Force Survey (LFS) will likely pick-up from the relatively subdued 1.1% growth to 2.8 million recorded in Q3 2025. That said, the bigger picture remains that Ireland's rate of job creation is still slowing to a more sustainable pace, down from the 3%+ rates seen in recent years, which were sustained by exceptional levels of net inward migration. So today's data give us more confidence in our forecast that Irish employment will grow 1.5% in 2026.

Irish employee numbers up 2% in year to December, to fresh high of 2.58 million: This morning's data from the CSO show employment growth accelerating to 2% in December. This is a marked pick-up from the very subdued 0.6% pace of job creation recorded in November (now revised up to 1.0%). We are acutely aware the CSO's first estimate of employee growth (based off income tax returns) is typically revised up (see chart below). So in the fullness of time, the initial 2% growth rate of employees in December will likely be revised up towards 2.5% (or by circa 7,500-10,000 as additional tax returns are collected).

Irish unemployment rate revised down to 4.7%: A key judgment in our recent Irish economic forecasts published in January was that the unemployment rate would be revised down from the initial 5.0% rate estimated by CSO for H2 2025. The Labour Force Survey (LFS) for Q3 2025 had shown an abrupt spike in the unemployment rate from 4.6% in June, to 5% in July. Our view was that volatility in the data and seasonal factors the CSO struggle to adjust for, were at play - temporarily pushing up on unemployment. For example, youth unemployment ticked-up to 12.6% in July, likely related to school and university closures. So it was satisfying to see the Irish unemployment rate revised down to 4.7%, in the CSO's latest release last week for January (see chart below).

Revision hopefully means Labour Force Survey (LFS) will show pick-up in job creation: Together the recent data revisions hopefully mean the headline, official measure of employment growth (due to be published in next week's LFS for Q4 2025) will pick-up from the 1.1% growth to 2.8 million recorded in Q3 2025. The Q3 release showed strong job creation in sectors such as construction (7%), transport/storage (7%), education (5%) and health (3%) through 2025, but held back by weak conditions in consumer facing sectors such as wholesale/retail (+0.4%) and hotels/restaurants (0.0%).

Multinational sector employment has also softened: The Industrial Development Authority's (IDA) recent results showed employment in multinational firms grew by 1.5% in 2025 to 312,500. However, this was starkly split between a 3% rise to 139,000 for manufacturing firms, but with ICT sector employment broadly flat, up 0.5% to 77,800. That said, the IDA also highlighted that fresh investments were expected to yield 15,300 jobs (+14% yoy) over a number of years. Also, a recent American Chamber of Commerce (AmCham) survey found 60% of US multinationals plan to expand employment, albeit with the firms citing the lack of housing as the key risk to FDI. Nonetheless, the 1.5% rise in multinational sector employment last year is clearly softer than the 4.8% average job creation over the past decade.

Ireland's labour market expansion slowing to a more sustainable pace: Our current forecast is that Irish employment will grow by 1.5% in both 2026 and 2027, with the unemployment rate staying just below 5% this year. This morning's CSO data are an encouraging sign the pace of job creation has not slowed at a sharper, more pernicious pace than our forecast and remained robust at end-2025. However, we still believe that the 3%+ rates of jobs growth seen in recent years will inevitably slow, as they were sustained by exceptional levels of net inward migration and rising participation rates (both of which will now make a smaller contribution to the growth of the Irish labour force).

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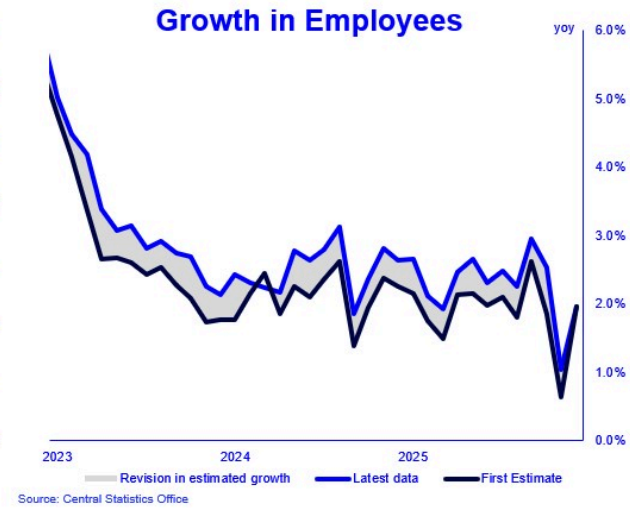

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