



Ireland's weak labour market data likely affected by volatility

At face value, this morning's CSO Labour Force Survey (LFS) is very concerning, employment falling by 0.6% in Q1 2026 to 2.8 million, annual job creation flattening off to zero, and the unemployment rate rising to 5%. However, volatility looks to be at play. The figures suggest full-time employment has increased by 1.5% over the past year to 2.23 million, but part-time work has declined sharply by 5% to 561,500. Also, the CSO's alternative pay-rolled employees measure was 2.6 million in Q1 2026, up a healthy 2.5% YoY. Similarly, Ireland's PMI surveys and the 6% growth in income tax returns in Q1 did not point to any abrupt decline in employment.

We had forecast that Irish employment would expand by 1.8% in calendar year 2026, with the unemployment rate rising to 4.8%. In summary, there appears to be too much noise in today's LFS survey for it to warrant a change in our forecasts at this stage. Nonetheless, peering through the statistical fog, there still appears to be a gradual slowdown in job creation—now driven more by construction, manufacturing, and the public sector. We will also be watching for any signs that recent uncertainty related to events in the Middle East is weighing on hiring.

CSO data point to job creation flattening off: At face value, this morning's Labour Force Survey (LFS) is very concerning. It indicates Irish employment fell by 0.6% in Q1 2026 to 2.8 million, the pace of job creation over the past twelve months flattening off to zero. The unemployment rate rose from 4.7% in Q4 2025 to 5.0% in Q1 2026 - and the rise would have been worse had it not been for a substantial decline in participation, from 66% in Q4 2025 to 65.5% in Q1 2026. Hence, the labour force grew by just 0.6% over the past year to 2.96 million—the slowest pace in 5-years.

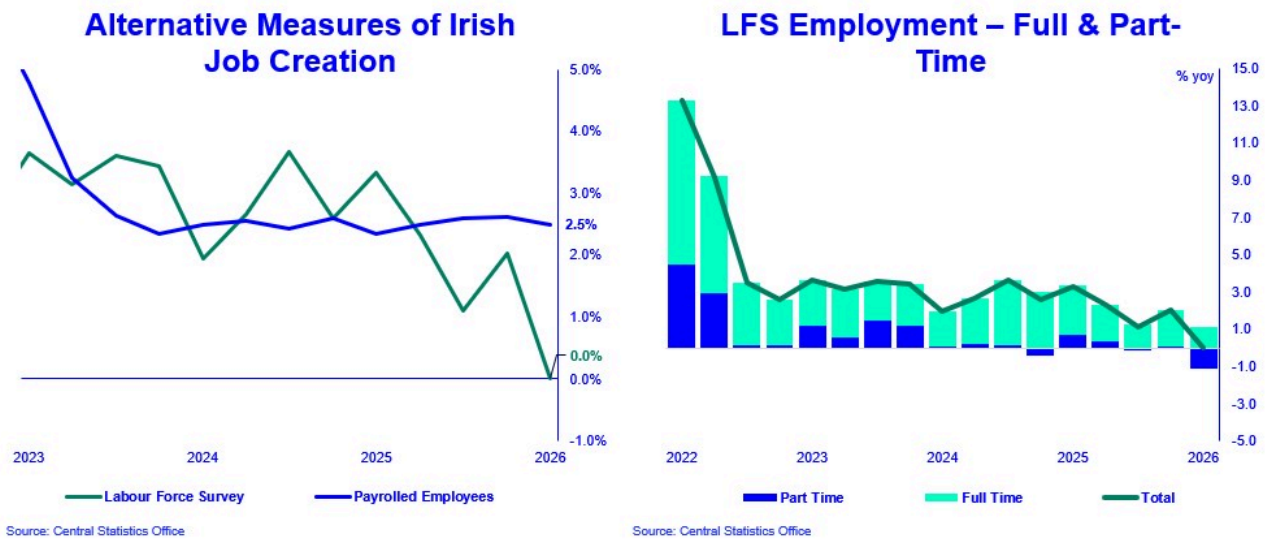
Statistical issues likely at play: Unfortunately, some of the volatility characteristic of Ireland's national accounts and GDP data now seems to be at play in the LFS. An alternative measure of job creation provided by the CSO (based on income tax returns and excluding the self-employed) indicates that employee numbers in Q1 2026 were 2.6 million, up a healthy 2.5% year-on-year. Ireland's PMI surveys have pointed to ongoing job creation early in 2026. Similarly, income tax receipts in Q1 2026 were €8.7bn, up 6.1% on the year—a faster pace than the 4.3% growth recorded in 2025. So there is every reason to suspect volatility is a key reason for Ireland's weak LFS labour market figures for Q1 2026.

Part-time work a drag on aggregate employment growth: The LFS indicates that the flat employment growth over the past 12 months to 2.8 million is explained by a sharp 5.4% drop in the number of part-time workers, to 561,500. In contrast, full-time work has increased by 1.5% to 2.23 million — a relatively robust, if slower pace than experienced in recent years. Not surprisingly, wholesale/retail (-5%), accommodation & food services (-13%), and administration & support (-19%) were the key sectors that explained the fall in part-time work over the past year. These sectors are no doubt be under pressure. Nonetheless, the LFS indicates that part-time work fell by 3.6% in Q1 2026, quarter-on-quarter, which looks volatile and may bounce back in Q2.

Pattern of employment in Ireland's economy shifting: The LFS indicates the fastest-growing sector was construction, up 10% to 196,000. Both education (+3.2% to 261,000) and health (+3.6% to 382,000) also saw marked increases in employment. Notably, manufacturing employment rose by 5% to 350,000. However, both professional & scientific (-6.7% to 184,200) and information & communications technology (-10.6% to 170,000) saw employment contract. This contraction in ICT employment will no doubt attract attention, given high-profile announcements of job cuts in the sector. However, the sectoral splits in the LFS should be treated with care. The alternative pay-rolled employees measure indicates ICT employment has fallen just 0.6% in the year to March, to 123,000.

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