Economic Research Unit

Economics Weekly

Bank of Ireland

Irish Labour Force Survey shows 2% job creation in Q3 2026

Today's Labour Force Survey (LFS) shows a sharp acceleration in the pace of employment growth from 0.8% in Q2 2026 to 2.1% in Q3 2026. This is satisfying to see. A key judgement in our September Bank of Ireland Irish Macroeconomic forecasts was for 2% jobs growth to 2.9 million in 2027. This reflected our view recent soft Labour Force Survey's for H1 2026 reflected sampling volatility, rather than a more pernicious slowdown in employment. The rebound in the LFS means it is now consistent with other alternative indicators that pointed to more robust jobs growth in 2026.

The sectoral split of the LFS shows that construction sector employment was up 13% on the year, exceeding 200,000 for the first time since 2008. Industrial jobs are also making a strong contribution to job creation, as is the public sector, but with wholesale/retail, ICT technology and hotels/restaurants lagging behind. However, the broad consistent picture now (following today's LFS for Q3 2026) is of a tight labour market, with strong employment growth but generating pay pressures.

Labour Force Survey rebounds in Q3 2026: This morning's Labour Force Survey (LFS) for Q3 2026 indicates that employment rose by 1.1% on the quarter, the annual pace of job creation accelerating to 2.1%. This is a sharp acceleration from just 0.8% annual employment growth in Q2 2026. The LFS also confirmed that the seasonally adjusted unemployment rate was revised down to 4.8% in Q3 2026, vs 5% initially estimated (see chart below), as had already been indicated by the monthly data for October.

Where are the jobs coming from? Construction sector employment was up 13% on the year, exceeding 200,000 for the first time since 2008. The public sector is also making a strong contribution. The public administration (5%), education (13%) and health (1.7%) sectors all saw robust gains in employment in the year to Q3 2026. Industrial sector employment was up 2.1% to 361,000 but the information and communications (ICT) sector saw a 3.8% decline to 174,000. Wholesale and retail sector jobs were also flat at 329,000 and were down 1% in accommodation and food services to 189,000.

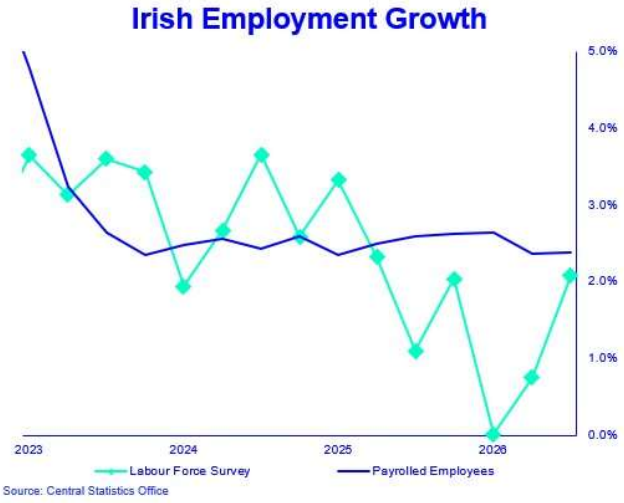
Pay-rolled employees measure points to employment growth being sustained into Q4: The CSO's alternative measure of job creation indicated the number of employees rose by 0.2% in September, up 2.3% year-on-year, to 2.63 million. This measure is based off income tax returns and excludes the self-employed. That it has continued to register robust growth is all the more impressive, given early estimates of annual job creation are invariably revised up, by 0.4-0.5 percentage points.

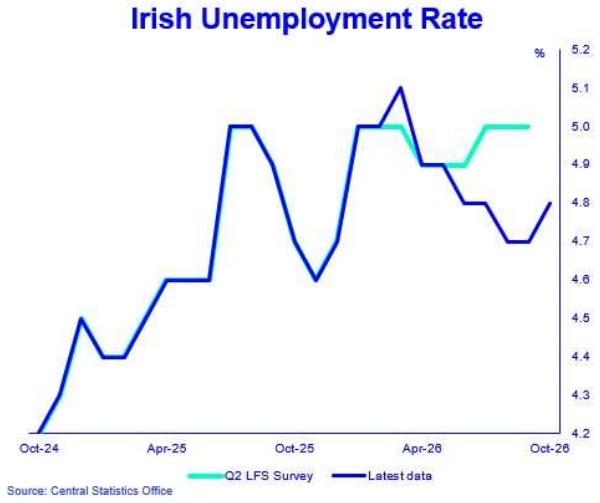
Today's LFS out-turn brings the CSO's two alternative measures of job creation back into line with each other (see chart below). So the picture of the Irish labour market is now consistent - still robust employment growth, with low unemployment, creating pay pressures. Average weekly earnings in Q2 2026 were up 3.9% yoy, with the Q3 data set to be released in the coming weeks.

Alternative surveys also point to continued job creation: October's Irish PMI surveys indicated service sectors employment continued to expand, albeit at a subdued pace. In contrast, the manufacturing PMI indicated a robust pace of job creation. The European Commission's surveys of Irish business confidence or October tell a similar story. Service sector firms' reported employment intentions above average levels over the past 18 months and at a 6-month high amongst manufacturing companies.

Similarly, there has been no slowdown in the pace of income tax returns. October's exchequer returns showed €3.3bn of income taxes were collected, up 13.6% on last year. This is actually a faster pace than the overall 8.4% rise to €31bn collected in the first ten months of 2026. Finally, 10,383 work permits were granted in the three months to October, up 24% on the year.

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