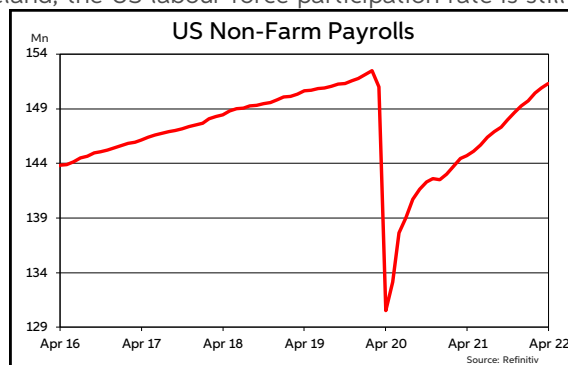


Labouring the Point

- **The clearest evidence of Ireland's strong recovery from the COVID-19 pandemic is provided by the public finances, which are on the verge of returning to a budget surplus, and the buoyant jobs market.** The CSO has just published the Labour Force Survey results for the first quarter of the year. These show the unemployment rate has fallen back to its pre-pandemic level of 4.8%. Meanwhile, unlike in many other economies, both the labour force and employment have risen well above pre-COVID levels. Both metrics have increased by close to 7% on their levels in the first quarter of 2020, a highly impressive performance given what the economy has been through over the past two years.
- **The employment growth, though, is not evenly distributed across all the sectors of the economy.** There are some scarring effects evident in sectors that were most impacted by COVID restrictions, such as retail, hospitality and support services. Here employment is still well below pre-pandemic levels. Indeed, there has been little sign of upward momentum in employment in these sectors in the past couple of quarters. This points to likely permanent job losses and also difficulties in attracting workers into sectors with mainly low-paid jobs in the current very tight labour market. The rise in employment has been concentrated in manufacturing, construction, ICT/financial/professional/technical services and public administration/education/healthcare, which tend to have high-paid jobs. This is consistent with the big jump in income tax receipts seen in 2021 and early 2022.
- **The strong growth in the labour force and employment is driven by two factors; continued high inflows of workers from abroad and a rising participation rate, especially amongst women.** Non-Irish citizens account for 30% of the increase in employment in the past two years and now make up 18% of the workforce. Meanwhile, the participation rate has climbed from 62.6% in the first quarter of 2020 to 65.2% in the opening quarter of this year. Most notably, the female participation rate has jumped from 56.4% to 59.9% over the two years. The male rate rose more modestly from 69.1% to 70.8%. It would seem that the move to remote working and more flexible working arrangements in general have boosted female participation rates in particular, as has the availability of jobs in relatively high-pay sectors.
- **Meanwhile, the ending of the government's COVID-19 labour market supports appears to have had little impact, with both the Live Register and unemployment rate declining in April when the Pandemic Unemployment Payment scheme finished.** It also appears that the high cost and shortage of rental accommodation is not deterring overseas workers from coming to Ireland. Importantly, there is good momentum in both the labour force and employment. They rose by close to 1% and 1.5%, respectively, in seasonally adjusted terms in the first quarter, maintaining the pace from the previous quarter. With job vacancies at high levels, as well as continued strong inflows of foreign direct investment and Ireland still proving a popular destination for foreign workers - with both these factors being helped somewhat by Brexit - the labour market looks set to continue performing strongly over the rest of the year, despite the growing concerns about a slowdown in the global economy.
- **This week, we will receive an update on the US labour market.** Unlike in Ireland, the US labour force participation rate is still below its pre-pandemic level, while payrolls, a measure of employment, are circa 1.2 million below their pre-Covid peak. Conditions in the labour market are very tight. The unemployment rate stood at just 3.6% in April, while average earnings were up 5.5% YoY. However, payrolls have been growing at a healthy clip of over 500k per month on average since the turn of the year. The consensus is for a more modest increase of 310k in May. Meanwhile, the unemployment rate is forecast to remain at 3.6%. Although average earnings are projected to rise by 0.4% in the month, they are expected to fall back to 5.2% in YoY terms. Elsewhere, both the manufacturing and non-manufacturing ISM are expected to decline in May, albeit while staying well in expansion mode. Consumer confidence is forecast to move lower in May as well, falling to 104.5 from 107.3.



- **Flash HICP inflation for May is the main highlight of a busy Eurozone data schedule.** Headline HICP printed at a record 7.4% in both March and April largely due to higher energy and food prices. Recently though, price pressures appear to have become more broad based, with the ex-food & energy rate climbing to 3.9% in April. The consensus is for both rates to diverge in May, with headline HICP rising to 7.7% and the core rate easing to 3.8%. Meanwhile, the EC measure of economic sentiment is projected to decline for the sixth month in seven, in May, as increased costs and the war in Ukraine continue to weigh on confidence. Retail sales, which have been quite weak in 2022, are forecast to rise by 0.3% in April. In terms of the labour market, the bloc wide measure of unemployment is expected to inch lower to 6.7% in April, from an all-time low of 6.8% in March.

- **A jam-packed schedule of the home front** contains the Q1 National Accounts, retail sales for April, as well as unemployment data, the PMIs and Exchequer Returns for May. The data are likely to confirm the economy's strong performance so far in 2022.

	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2022	2022	2022
Fed Funds	0.875	1.375	2.125	2.625
ECB Deposit	-0.50	-0.50	0.00	0.25
BoE Repo	1.00	1.25	1.50	1.75
BoJ OCR	-0.10	-0.10	-0.10	-0.10
Current Rates Reuters, Forecasts AIB's ERU				

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
		2022	2022	2022
EUR/USD	1.0735	1.05	1.06	1.07
EUR/GBP	0.8490	0.85	0.86	0.87
EUR/JPY	136.17	139	142	144
GBP/USD	1.2641	1.24	1.23	1.23
USD/JPY	126.83	132	134	135
Current Rates Reuters, Forecasts AIB's ERU				

Date	UK & Irish Time		Release	Previous	Forecast
This Week:	ECB Speakers:		Lagarde , Lane (Wed)		
	BoE Speakers:				
	Fed Speakers:		Williams, Bullard, Logan, Mester (Wednesday)		
			Special Meeting of the European Council (30-31st May)		
Mon 30th	US:		Memorial Day (Market Holiday)		
	EU-19:	10:00	EC Sentiment Index (May)	105.0	104.9
			- Consumer / Industrial / Services	-21.1 / 7.9 / 13.5	-21.1 / 7.5 / 14.3
	IRL:	11:00	Retail Sales (April)	+0.6% (+2.9%)	+1.0% (+2.0%)
	GER:	13:00	Flash HICP (May)	+0.7% (+7.8%)	+0.4% (+8.0%)
Tue 31st	FRA:	07:45	GDP (Q1:Final Reading)	+0.0% (+5.3%)	+0.0% (+5.3%)
	FRA:	07:45	Flash CPI (May)	+0.5% (+5.4%)	+0.6% (+5.6%)
	GER:	08:55	Unemployment Rate (May)	5.0%	5.0%
	ITA:	09:00	GDP (Q1:Final Reading)	-0.2% (+5.8%)	-0.2% (+5.8%)
	UK:	09:30	Mortgage Approvals (April)	+70,691	+69,000
	EU-19:	10:00	Flash HICP (May)	(+7.4%)	(+7.7%)
			- Ex-Food & Energy	(+3.9%)	(+3.8%)
	IRL:	11:00	Earnings & Labour Costs (Q1: First Reading)		
	US:	14:00	Case-Shiller House Prices (March)	+2.4% (+20.2%)	
	US:	15:00	Conference Board Consumer Confidence (May)	107.3	104.5
Wed 1st	IRL:	01:01	AIB Manufacturing PMI (May)	59.1	
	UK:	07:00	Nationwide House Prices (May)	+0.3% (+12.1%)	
	GER:	07:00	Retail Sales (April)	-0.1% (-2.7%)	+0.0% (+4.0%)
	EU-19:	09:00	Final S&P Manufacturing PMI (May)	54.4	54.4
	ITA:	09:00	Unemployment Rate (April)	8.3%	8.2%
	UK:	09:30	Final S&P / CIPS Manufacturing PMI (May)	54.6	54.6
	EU-19:	10:00	Unemployment Rate (April)	6.8%	6.7%
	IRL:	11:00	Unemployment Rate (May)	4.8%	4.8%
	US:	13:15	ADP Employment (May)	+247,000	+280,000
	US:	14:45	Final S&P Manufacturing PMI (May)	57.5	57.5
	US:	15:00	Manufacturing ISM (May)	55.4	54.5
	US:	15:00	JOLTS Job Openings (April)	11.5m	
Thu 2nd	UK:		Queen's Platinum Jubilee Celebrations (Market Holiday)		
	EU-19:	10:00	Producer Output Prices (April)	+5.3% (+36.8%)	+2.3% (+38.6%)
	US:	13:30	Initial Jobless Claims (w/e 23rd May)	+210,000	
	IRL:	16:00	Exchequer Returns	May'21: -€6.0bn	+€0.8bn
Fri 3rd	UK:		Queen's Platinum Jubilee Celebrations (Market Holiday)		
	IRL:	01:01	AIB Services PMI (May)	61.7	
	GER:	07:00	Trade Balance (April)	+€3.2bn	+€1.6bn
			- Exports	-3.3%	+1.5%
	FRA:	07:45	Industrial Output (April)	-0.5%	+0.4%
	FRA:	08:50	Final S&P Composite PMI (May)	57.1	57.1
	GER:	08:55	Final S&P Composite PMI (May)	54.6	54.6
	EU-19:	09:00	S&P Composite PMI (May)	54.9	54.9
			- Services	56.6	56.3
	EU-19:	10:00	Retail Sales (April)	-0.4% (+0.8%)	+0.3% (+5.4%)
	IRL:	11:00	GDP (Q1: First Reading)	(+9.6%)	(+11.2%)
	US:	13:30	Non-Farm Payrolls (May)	+428,000	+310,000
			- Unemployment Rate	3.6%	3.6%
			- Average Earnings	+0.3% (+5.5%)	+0.4% (+5.2%)
	US:	14:45	S&P Composite PMI (May)	53.8	53.8
			- Services	53.5	53.5
	US:	15:00	Non-Manufacturing ISM (May)	57.1	56.0

♦ Month-on-month changes (year-on-year shown in brackets)

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