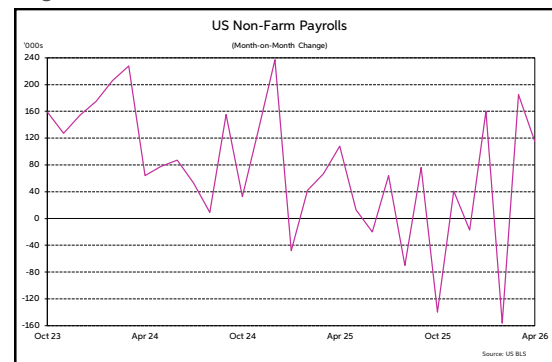


## Context matters

- The Irish labour market has been on an incredible run in recent years, with employment rising at a sharp rate, participation increasing, and unemployment remaining remarkably low.** In the first half of this decade, the number of people in work increased by 455,000 (almost 50,000 more than in the full decade prior) to a record 2.83 million. The labour force participation rate was near 66% at the end of 2025, up from 62.5% in 2019, driven by a rise in the female participation rate from 56.4% to 60.8%, and a jump in those aged between 60-64 years old (from 54.4% to 64.4%) and those 65+ (13% to 15.7%) staying in the labour market. At the same time, post-COVID, the unemployment rate averaged just 4.4%, out to the end of 2025.
- However, the Labour Force Survey for Q1 2026 has raised concerns for the jobs market.** The report indicated that the trends observed in the first half of the 2020's may have started to reverse course. Employment was flat in year-on-year terms and fell on a quarterly basis. Labour force participation declined, amid a deterioration across all of the aforementioned categories. The unemployment rate rose to 5% in the quarter for just the second time since the end of 2021. Furthermore, a marked contraction in the number of people working in Information & Communication (i.e. the tech-sector), raised some concerns that AI may now be negatively impacting the labour market, given this cohort of workers are thought to be highly exposed to the technology.
- Other labour market reports recently published by the CSO run counter to the findings in the LFS though.** The Labour Market Churn Rate series for Q1, suggests that the jobs market remained vibrant at the beginning of the year. Indeed, the churn figure (the number of people who changed jobs) was 10.7% higher compared to Q1 2025, meaning the churn rate (the percentage of those in employment who changed jobs) rose to 12.0%, up from 10.9% a year earlier. Furthermore, the same series indicates that the job creation figure outpaced the job destruction total by almost 20,000, and that the tech sector created more jobs than it lost in the quarter. Meanwhile, the Earnings and Labour Costs report for Q1 shows that tech sector wages rose at the third fastest pace of all the sectors on a quarterly basis, despite it already being the best paid industry. Overall, average weekly earnings in the economy increased by 4.4% year-on-year in Q1.
- While widely publicised layoffs at some prominent tech companies recently likely heightened fears that AI may already be replacing jobs, it is simply too early to say conclusively that this is the case.** Granted, the tech sector is likely to see disruption before others - but the LFS data does not tally with other sources suggesting continued jobs growth. At the same time, the fall in tech employment in the LFS may reflect the sector right-sizing itself after a period of rapid growth. In the past five years, tech sector employment surged by 32.5%, far outpacing the rate of expansion seen in the economy overall. More broadly, it was always likely that conditions in the labour market would moderate at some point. However, the slowdown needs to be interpreted in the context of the very strong performance of the jobs market throughout the first half of the decade.
- Turning to the week ahead, the main highlight will be the US labour market report for May.** In the opening four months of the year, payrolls have remained very volatile. They rose by 160k in January, fell by 156k in February before rebounding by 185k in March, and increasing by 115k in April. In contrast though, the unemployment rate has remained steady over the same period, oscillating in the tight 4.3-4.5% range it has operated in since July. Meanwhile, average earnings growth has slowed in recent months. Indeed, it fell to 3.5% y/y in March, its lowest level since May 2021, before edging marginally higher to 3.6% y/y in April. The recent trends are projected to continue in May. Payrolls are forecast to rise by 86k, compared to an average monthly increase of 76k year-to-date. Meantime, the unemployment rate is expected to stay at 4.3%, while average earnings growth is set to slow to +3.4% y/y. **Elsewhere in the US, the manufacturing and non-manufacturing ISMs for May will be released.** Both measures eased somewhat in April, albeit they remained firmly in expansion territory. Only slight changes are forecast in May, with both metrics due to remain above the key 50 threshold.
- In the Eurozone, the flash reading of HICP inflation for May will warrant close attention.** The recent surge in wholesale energy prices, amid the war in the Middle East has resulted in a sharp rise in inflation in recent months. The headline rate jumped to 2.6% in March and climbed higher in April to 3.0%. However, underlying price pressures have remained relatively benign. Indeed, core inflation fell to 2.1% in April, its lowest level since October 2021. The consensus is for the headline rate to rise to 3.3% in May. The core rate though, is expected to accelerate to 2.3%. **Meantime, on the home front, a busy data calendar includes a number of important releases.** The National Accounts data for Q1 2026 will be monitored closely. In terms of more timely data, the AIB manufacturing and services PMIs, as well as the unemployment rate, flash reading of HICP inflation and the Exchequer returns, all for May, will also feature.



	Interest Rate Forecasts			
	Current	End Q2	End Q3	End Q4
		2026	2026	2026
Fed Funds	3.625	3.625	3.625	3.375
ECB Deposit	2.00	2.00	2.00	2.00
BoE Repo	3.75	3.75	3.75	3.50
BoJ OCR	0.75	0.75	1.00	1.00

Current Rates Reuters, Forecasts AIB's ERU

	Exchange Rate Forecasts (Mid-Point of Range)			
	Current	End Q2	End Q3	End Q4
		2026	2026	2026
EUR/USD	1.1646	1.18	1.19	1.20
EUR/GBP	0.8665	0.87	0.88	0.88
EUR/JPY	185.55	185	187	187
GBP/USD	1.3437	1.36	1.35	1.36
USD/JPY	159.32	157	157	156

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time (GMT+1)	Release	Previous	Forecast
<b>This Week:</b>	<b>ECB Speakers:</b>	Schnabel (Mon); <b>Lagarde</b> (Thu)		
	<b>BoE Speakers:</b>	<b>Bailey</b> , Greene (Tue); <b>Bailey</b> (Thu); Dhingra, <b>Bailey</b> (Fri)		
	<b>Fed Speakers:</b>	Kashkari, Hammack, Powell (Tue); Daly (Thu);		
<b>Mon 1st</b>	<b>IRE</b>	<b>June Bank Holiday (Public Holiday)</b>		
	<b>GER:</b> 07:00	Retail Sales (April)	-2.0% (-2.0%)	-0.5% (-1.2%)
	<b>EU-21:</b> 09:00	M3 Annual Growth Rate (April) - Loans to Households	(+3.2%) (+3.0%)	(+3.2%)
	<b>EU-21:</b> 09:00	Final HCOB Manufacturing PMI (May)	51.4	51.4
	<b>UK:</b> 09:30	Final S&P Manufacturing PMI (May)	53.7	53.7
	<b>EU-21:</b> 10:00	Unemployment rate (April)	6.2%	6.2%
	<b>US:</b> 14:45	Final Manufacturing PMI (May)	55.3	55.3
	<b>US:</b> 15:00	Manufacturing ISM (May)	52.7	53.0
<b>Tue 2nd</b>	<b>IRE:</b> 01:01	<b>AIB Irish Manufacturing PMI (May)</b>	<b>54.9</b>	
	<b>UK:</b> 09:30	Mortgage Approvals (April)	63,531	61,500
	<b>EU-21:</b> 10:00	Flash HICP Inflation (May) - Ex-Food & Energy	+1.0% (+3.0%) +0.8% (+2.1%)	(+3.2%) (+2.3%)
		- Ex-Food, Energy, Alcohol & Tobacco	+0.9% (+2.2%)	(+2.4%)
	<b>US:</b> 15:00	JOLTS Job Openings (April)	+6.87m / -0.8%	6.82m / -0.7%
<b>Wed 3rd</b>	<b>JPN:</b> 01:30	Final S&P Composite PMI (May)	51.1	51.1
	<b>ITA:</b> 08:45	Final HCOB Composite PMI (May)	50.5	50.5
	<b>FRA:</b> 08:50	Final HCOB Composite PMI (May)	43.5	43.5
	<b>GER:</b> 08:55	Final HCOB Composite PMI (May)	48.6	48.6
	<b>EU-21:</b> 09:00	Final HCOB Composite PMI (May) - Final HCOB Services PMI	47.5 46.4	47.5 46.4
	<b>UK:</b> 09:30	Final S&P Composite PMI (May) - Final S&P Services PMI	48.5 47.9	48.5 47.9
	<b>EU-21:</b> 10:00	Producer Prices (April)	+3.4% (+2.1%)	+0.4% (+4.8%)
	<b>US:</b> 13:15	ADP Employment (May)	+109,000	+118,000
	<b>US:</b> 14:45	Final S&P Composite PMI (May) - Final S&P Services PMI	51.7 50.9	51.7 50.9
	<b>US:</b> 15:00	Non-Manufacturing ISM (May)	53.6	53.7
<b>Thu 4th</b>	<b>IRE:</b> 01:01	<b>AIB Irish Services PMI (May)</b>	<b>49.7</b>	
	<b>EU-21:</b> 10:00	Retail Sales (April)	-0.1% (+1.2%)	-0.3% (+0.4%)
	<b>IRE:</b> 11:00	<b>Unemployment Rate (May)</b>	<b>4.8%</b>	<b>4.8%</b>
	<b>US:</b> 13:30	Initial Jobless Claims (w/e 25th May)	+215,000	
	<b>IRE:</b> 17:30	<b>Exchequer Returns (May)</b>	<b>May'25: +€4.0bn</b>	<b>-€2.5bn</b>
<b>Fri 5th</b>	<b>FRA:</b> 07:45	Industrial Output (April)	+1.0%	-0.2%
	<b>EU-21:</b> 10:00	Employment (Q1: Final Reading)	+0.1% (+0.5%)	+0.1% (+0.5%)
	<b>EU-21:</b> 10:00	GDP (Q1: Revised Reading)	+0.1% (+0.8%)	+0.1% (+0.8%)
	<b>US:</b> 13:30	Non-Farm Payrolls (May) - Unemployment Rate - Average Earnings	+115,000 4.3% +0.2% (+3.6%)	+86,000 4.3% +0.3% (+3.4%)

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

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