



## **Ireland's labour market was exceptionally strong at the end of 2023**

Ireland's latest labour force survey (LFS) paints a rosy picture of the economy at the end of 2023. The headline statistics show employment continued to grow at a robust pace, up 3.4% in the year to Q4 2023, and the seasonally adjusted unemployment rate remains close to historic lows at 4.5%. Over 2.7 million people are now at work in Ireland, helped by an upward revision to the labour force from Census 2022, which bumped up labour force and employment levels. This compares to just under 1.9 million a decade ago in the aftermath of the global financial crisis, illustrating the exceptionally growth trajectory the Irish economy has been on since 2012.

Job creation continued to be broad-based, with annual growth in the majority of sectors, led by Education (+12%), Agriculture (+9%), Other Activities (+8%) and Accommodation and Food (+7%). Employment declines were evident in Transport & Storage (-5%), Admin (+4%), Industry (-2%) and Construction (-2%). These industry and construction figures reflect what was a more challenging year for these sectors in 2023, buffeted by high inflation and waning demand in sectors such as commercial real estate.

However, the widely reported downturn in the Tech sector is not yet fully evident in the LFS, with jobs in the Information & Communication sector still up 0.4% y/y. Nonetheless there was a significant slowdown in jobs growth in this sector in the final quarter compared to earlier in 2023. Furthermore, the monthly employee payrolls index signals a much sharper pace of job cuts in the Tech sector in Q4, down 4% y/y. With the Tech sector's predominance in the capital, it was no surprise that jobs growth in Dublin (+2.2% y/y) continued to lag the rest of the country (+3.9%) at the end of 2023 too.

Another feature of the labour market data in recent years has been the surge in the female participation rate, up to a record high of 60.4% in Q4 2023, and the rise in non-nationals in the labour force. These factors pushed the labour force (employed plus unemployed) to a record high of 2.8 million in Q4 2023. The LFS also showed a surge in the potential labour force to 106,000 (+73% y/y) – those currently



outside the labour force who could be available for work, suggesting additional scope for employment to grow in the near term. However, both factors are unlikely to continue to boost the labour force numbers to the same extent in 2024, with growth in female participation now levelling off, and a decline in inward migration in 2023 following the sharp increase in 2022 associated with the war in Ukraine. The overarching point is Ireland’s labour market remains exceptionally tight, and with employer demand still strong this will exert upward pressure on wages across many sectors as unemployment reaches its floor in the coming months.

Turning to the week ahead, the main focus will be on inflation data from the Eurozone and the US, with markets paring back expectations for central bank rate cuts in recent weeks on the back of strong macro data and hawkish comments from key policymakers in the US and Eurozone.

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