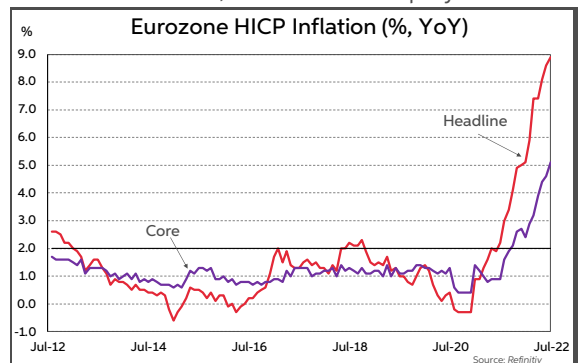


In Good Shape

- The CSO's Labour Force Survey results for Q2 2022 show the Irish jobs markets is in very strong shape.** There were further marked increases of 0.7% and 1% in the labour force and employment, respectively, from their levels in the opening quarter of the year. This left the annual increases at 5.6% and 8.7%, for both aggregates. Meanwhile, the unemployment rate fell to a twenty-year low of 4.4%, down from 7.1% a year earlier. The annual comparisons are misleading, though, as the economy was only starting to re-open in the second quarter of 2021, after a long COVID-19 lockdown in the opening months of the year. It is more instructive to look at where the labour market stands now compared to its pre-COVID levels. The results are very impressive when compared to the second quarter of 2019.
- Both the labour force and employment levels are much higher than three years ago, increasing by 10.2% and 11.2%, respectively, in the period since then.** Meanwhile, the unemployment rate was 1 percentage point higher than now. The strong growth in the labour force has been driven by two factors, a big jump in participation rates and continued strong net inward migration. The labour force participation rate has risen from 62.0% to 65.2% since Q2 2019, with a marked jump in particular in the female participation rate from 55.9% to 59.8%. At the same time, there has been an increase of 105,000 in the number of non-Irish citizens in the labour force in the past three years, which now stands at just under 0.5 million. Indeed, non-Irish citizens now account for 18.5% of the employed workforce.
- Total employment has risen from 2.3 million to 2.55 million in the past three years, increasing by over 250,000.** The job gains are widely spread across the economy. Employment in industry has risen by 40,000, with construction up by 20,000. Information and technology is up 48,000, profession/technical jobs 28,000 and finance/insurance 18,000, with retail adding 23,000. Meanwhile, employment in education and health has risen by 37,000 and 44,000, respectively. The two sectors, though, that were most impacted by COVID lockdowns have yet to see a full recovery in employment. In the hospitality sector, employment now stands at 165,000, which is 15,000 lower than three years ago, while in other services, which includes arts & entertainment, it is 12,000 lower. However, this has not prevented the economy moving to virtual full employment.
- The very sharp rise in income tax receipts in the past couple of years is consistent with labour market data showing rapid employment growth.** Income taxes are up 17% year-to-date, having also risen by 17% in 2021. Combined with unexpected strength in other tax categories, it has seen the public finances return to a budget surplus this year. Household balance sheets are also very strong, with low debt levels and household deposits growing by one-third since the onset of COVID. The Irish economy though, is entering a hazardous period, as the global economy weakens sharply and high inflation puts significant downward pressure on real incomes. However, the robust labour market, a budget surplus and healthy household balance sheets mean the starting position is strong in meeting these challenges.
- Turning to the week ahead, the main data highlight will be the US labour market report for August.** Conditions in the jobs market are currently very tight. Payrolls have increased by circa 3.6m so far in 2022, while the unemployment rate fell to its pre-pandemic low of 3.5% in July. This has placed upward pressure on wages, with average earnings 5.2% higher YoY in July. Another robust 285k rise in payrolls is anticipated in August, indicating that the pace of hiring remains strong. The unemployment rate is projected to be unchanged at 3.5% in the month. However, despite a slight moderation in the pace of wage growth, average earnings are forecast to increase to +5.3% YoY. Elsewhere in the US, the manufacturing ISM is expected to edge slightly lower, but remain in expansion mode in August. Meanwhile, the Conference Board measure of consumer confidence is forecast to improve in August for the first time since April.



- In the Eurozone, all eyes will be on the flash HICP inflation reading for August.** In July, headline HICP rose to 8.9%, up from 8.6% in June, and 2.2% a year ago. Worryingly, price pressures have become more broad based in recent months as indicated by the ex-food and energy reading rising to 5.1% in July. The headline rate is projected to edge higher to 9% in August, while the core rate is expected to be unchanged at 5.1%. In terms of the labour market, it is envisaged that the bloc wide unemployment rate remained at an all-time low of 6.6% in July, for the fourth consecutive month. Meanwhile, a further deterioration in the EC sentiment indices is anticipated in August, from already very subdued levels, despite a slight improvement in the flash consumer sentiment reading. **There is a quiet data schedule ahead in the UK this week, bar Nationwide house price data for August.**

	Interest Rate Forecasts			
	Current	End Q3	End Q4	End Q1
		2022	2022	2023
Fed Funds	2.375	2.875	3.375	3.625
ECB Deposit	0.00	0.50	1.00	1.25
BoE Repo	1.75	2.25	3.00	3.25
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 Q3	End Q4	End Q1
		2022	2022	2023
EUR/USD	1.0065	1.02	1.03	1.05
EUR/GBP	0.8486	0.84	0.85	0.86
EUR/JPY	137.62	138	141	142
GBP/USD	1.1858	1.21	1.21	1.22
USD/JPY	136.74	135	137	135

Current Rates Reuters, Forecasts AIB's ERU

Date	UK & Irish Time	Release	Previous	Forecast
This Week:	ECB Speakers:	Lane (Mon)		
	BoE Speakers:			
	Fed Speakers:	Brainard (Mon); Barkin, Williams (Tue); Mester, Bostic (Thu); Bostic (Fri)		
Mon 29th	UK:	August Bank Holiday (Market Holiday)		
	IRL:	11:00 Retail Sales (July)	-1.3% (-6.6%)	-1.0% (-6.4%)
Tue 30th	JPN:	00:30 Jobs/Applicants Ratio (July)	1.27	1.27
	JPN:	00:30 Unemployment Rate (July)	2.6%	2.6%
	SPA:	08:00 Flash HICP (August)	-0.6% (+10.7%)	
	SPA:	08:00 Retail Sales (July)	(+1.0%)	
	ITA:	09:00 Industrial Production (June)	+1.4% (+23.6%)	
	UK:	09:30 Mortgage Approvals (July)	63,726	61,750
	EU-19:	10:00 EC Economic Sentiment (August)	99.0	97.7
		- Industrial / Services / Consumer Confidence	3.5 / 10.7 / -24.9	1.5 / 8.8 / -24.9
	GER:	13:00 Flash HICP (August)	+0.8% (+8.5%)	+0.4% (+8.7%)
	US:	14:00 Case-Shiller House Prices (June)	+1.3% (+20.5%)	
	US:	15:00 Conference Board Consumer Confidence (Aug)	95.7	97.4
	US:	15:00 JOLTS Job Openings (July)	+10.7m	
Wed 31st	JPN:	00:50 Industrial Output (July)	+9.2% (-2.8%)	-0.5% (-2.5%)
	JPN:	00:50 Retail Sales (July)	(+1.5%)	(+1.9%)
	FRA:	07:45 GDP (Q2:Final Reading)	+0.5% (+4.2%)	+0.5% (+4.2%)
	FRA:	07:45 Flash HICP (August)	+0.3% (+6.8%)	+0.5% (+6.7%)
	GER:	08:55 Unemployment Rate (August)	5.4%	5.5%
	EU-19:	10:00 Flash HICP (August)	+0.7% (+8.9%)	+0.5% (+9.0%)
		- Ex-Food & Energy	+0.2% (+5.1%)	+0.2% (+5.1%)
	ITA:	10:00 Flash HICP (August)	-1.1% (+8.4%)	+0.1% (+8.3%)
	IRL:	11:00 Unemployment Rate (August)	4.2%	4.2%
Thu 1st	IRL:	01:01 AIB Manufacturing PMI (August)	51.8	
	GER:	07:00 Retail Sales (July)	-1.6% (-8.8%)	-0.4% (-7.3%)
	UK:	07:00 Nationwide House Prices (August)	+0.1% (+11.0%)	
	EU-19:	09:00 Final S&P Manufacturing PMI (August)	49.7	49.7
	ITA:	09:00 Unemployment Rate (July)	8.1%	
	UK:	09:30 Final S&P Manufacturing PMI (August)	46.0	46.0
	ITA:	10:00 GDP (Q2:Final Reading)	+1.0% (+4.6%)	+1.0% (+4.6%)
	EU-19:	10:00 Unemployment Rate (July)	6.6%	6.6%
	US:	13:30 Initial Jobless Claims (w/e 22nd August)	+243,000	+250,000
	US:	14:45 Final S&P Manufacturing PMI (August)	51.3	51.3
	US:	15:00 Manufacturing ISM (August)	52.8	52.0
Fri 2nd	GER:	07:00 Trade Balance (July)	+€6.4bn	+€4.6bn
		- Exports	(+4.5%)	(-3.0%)
	EU-19:	10:00 Producer Prices (July)	+1.1% (+35.8%)	+3.0% (37.0%)
	US:	13:30 Non-Farm Payrolls (August)	+528,000	285,000
		- Unemployment Rate	3.5%	3.5%
		- Average Earnings	+0.5% (+5.2%)	+0.4% (+5.3%)
	US:	15:00 Factory Orders (July)	+2.0%	+0.2%
		- Ex-Transport	+1.4%	
	IRL:	16:30 Exchequer Returns (August)	August'21: -€6.7bn	+€4.8bn

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