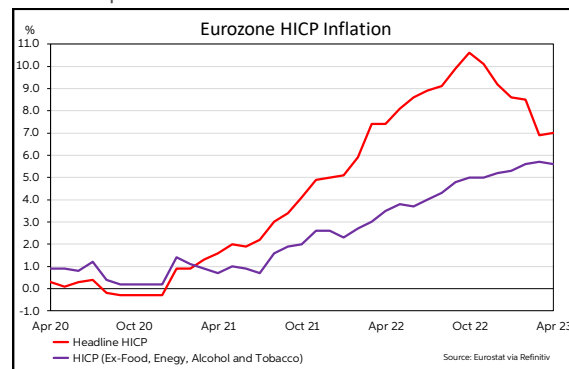


## Simply the Best

- The past week saw the CSO publish the Labour Force Survey results for the opening quarter of 2023.** There is not much evidence in the data of a slowdown in the Irish economy from the breakneck pace seen in 2021 and 2022. Indeed, the labour market remains characterised by very rapid growth. The labour force expanded by 1.6% or 44,000 in the quarter. It now stands at 2.73 million, up 86,500 from a year earlier, an increase of 3.3%. Meanwhile, the level of employment rose to over 2.62 million, up some 100,000 from a year ago, an increase of just over 4%. The rise in the quarter was almost 50,000 or 1.9%, which compares to the average quarterly growth rate of 0.8% seen during 2022.
- Thus, both labour force and employment growth gained considerable momentum in the first quarter of the year, though we would not extrapolate this trend out for the rest of 2023, given the volatility of quarterly data.** To complete the good news, the unemployment rate fell to 4.1%, down from 4.4% in the final quarter of 2022 and 4.9% a year earlier. Overall, these are stellar figures. What is also impressive is the breath of the expansion in employment. All regions of the country saw strong jobs growth over the past year. Meanwhile, apart from agriculture, employment has risen across the economy in recent times. The past year has seen particularly strong growth in industry, retail/wholesale and healthcare.
- Employment has increased by almost 275,000, or 11.5%, since the end of 2019, despite the numerous challenges faced by the Irish economy over this period.** These have included; Brexit, the COVID pandemic, war in Ukraine, surging inflation, rising interest rates and a global recession. Meanwhile, the labour force has grown by almost 270,000, or 11% since end 2019. A rise in the participation rate, or percentage of the population aged 15 years or over that are in the labour force, has helped boost the size of the work force. However, the most important factor at play has been the continued large inflow of workers from abroad, especially from outside the EU. Of the 87,000 increase in the labour force in the past year, some 20,000 are Irish citizens, with 67,000 accounted for by non-Irish citizens. Of the latter figure, 57,000 came from outside the EU. The ability of the economy to continue to attract workers from overseas is impressive given the acute shortage of accommodation and high level of rents in Ireland. At this stage, 20% of the labour force now comprises non-Irish citizens.
- The CSO data were released the same day that Meta announced a further 490 jobs were to go at its Irish operations, on top of the 320 redundancies last November.** In total, this represents a 25% contraction in Meta's workforce in Ireland. There have been concerns about how the shake-out in employment in the global tech sector would impact Ireland. The CSO data, though, show that despite the difficulties being experienced by some companies, job numbers in the sector continue to expand. Employment in ICT rose again in the first quarter of 2023 and was 3% higher on an annual basis. Thus, there is every prospect that those who are unfortunate enough to lose their job will find similar employment elsewhere in the strongly growing Irish economy.
- This week, the flash reading of Eurozone HICP inflation for May, and the latest ECB monetary policy meeting account are due.** Headline HICP rose to 7% in April, up slightly from 6.9% in March, but well below the peak of 10.6% last October. The core rate which excludes energy, food, alcohol and tobacco, fell for the first time since last June, easing to 5.6% in April, from 5.7%. The consensus is for the headline rate to fall sharply, to 6.3% on energy base effects, and for the core rate to edge lower to 5.5%. Meanwhile investors will be paying close attention to the May monetary policy account for any further guidance on the future path of rate hikes. President Lagarde was keen to highlight that the slowdown in the pace of rate hikes, to 25bps in May, was not an immediate prelude to a pause. Thus, it is clear the ECB has more ground to cover in terms of tightening policy. Elsewhere, the Eurozone unemployment rate is projected to remain at its record low of 6.5% in April. In terms of more timely indicators, the EC sentiment index is forecast to move lower in May.
- In the US, the labour market report for May will feature.** Conditions in the job's market are very tight, with a robust pace of job creation so far this year. Payrolls have risen by an average of 284k per month. Meantime, the unemployment rate has remained very low, fluctuating in a narrow 3.4-3.6% range. Tight conditions in the labour market have resulted in wage growth staying elevated, with average earnings rising by 0.3-0.5% m/m in 2023. In April, average earnings were 4.4% higher on a year-on-year basis. Payrolls are expected to expand by 193k in May, while a modest rise in the jobless rate to 3.5% from 3.4% is pencilled in. Average earnings are projected to increase by 0.3% in May, with the year-on-year rate remaining unchanged at 4.4%. Elsewhere, it is envisaged the manufacturing ISM will stay in contraction mode, for the seventh month running in May. Meanwhile, the Conference Board measure of Consumer Confidence is forecast to decline for the fourth month in five this year. **On the home front, it is an important week for Irish data, with Q1 GDP, flash HICP inflation, Exchequer Returns and the manufacturing PMI for May, as well as the preliminary Census 2022 results due for release.**



|             | Interest Rate Forecasts |        |        |        |
|-------------|-------------------------|--------|--------|--------|
|             | Current                 | End Q2 | End Q3 | End Q4 |
|             |                         | 2023   | 2023   | 2023   |
| Fed Funds   | 5.125                   | 5.125  | 5.125  | 4.875  |
| ECB Deposit | 3.25                    | 3.50   | 3.75   | 3.75   |
| BoE Repo    | 4.50                    | 4.75   | 5.00   | 5.00   |
| 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 |
|         |  | 2023   | 2023   | 2023   |
| EUR/USD | 1.0734                                       | 1.09   | 1.11   | 1.13   |
| EUR/GBP | 0.8686                                       | 0.87   | 0.88   | 0.88   |
| EUR/JPY | 150.40                                       | 149    | 150    | 149    |
| GBP/USD | 1.2354                                       | 1.25   | 1.26   | 1.28   |
| USD/JPY | 140.10                                       | 137    | 135    | 132    |

Current Rates Reuters, Forecasts AIB's ERU

| Date              | UK & Irish Time        | Release  | Previous                    | Forecast               |
|-------------------|------------------------|--|-----------------------------|------------------------|
| <b>This Week:</b> | <b>ECB Speakers:</b>   | <b>Lagarde</b> (Thu)   |                             |                        |
|                   | <b>BoE Speakers:</b>   | Mann (Wed)   |                             |                        |
|                   | <b>Fed Speakers:</b>   | Barkin (Tue); Collins, Jefferson, Harker (Wed); Harker (Fri) |                             |                        |
| <b>Mon 29th</b>   | <b>US/UK/ Most-EU:</b> | <b>Memorial Day/ Bank Holiday (Markets Closed)</b>           |                             |                        |
|                   | <b>IRL: 11:00</b>      | <b>Retail Sales (April)</b>                                  | <b>+2.0% (+8.6%)</b>        | <b>+1.0% (+1.5%)</b>   |
| <b>Tue 30th</b>   | <b>JPN: 00:30</b>      | Jobs/Applicants Ratio  | 1.32                        | 1.32                   |
|                   | <b>JPN: 00:30</b>      | Unemployment Rate (April)                                    | 2.8%                        | 2.7%                   |
|                   | <b>SPA: 08:00</b>      | Flash HICP (May)   | +0.5% (+4.1%)               | +0.3% (+3.4%)          |
|                   | <b>EU-20: 09:00</b>    | M3 Annual Money Growth (April)                               | (+2.5%)                     | (+2.1%)                |
|                   | <b>EU-20: 10:00</b>    | EC Economic Sentiment (May)                                  | 99.3                        | 98.9                   |
|                   |                        | - Consumer / Industrial / Services                           | -17.4 / -2.6 / 10.5         | -17.4 / -4.0 / 9.9     |
|                   | <b>IRL: 11:00</b>      | <b>Census 2022 Preliminary Results</b>                       |                             |                        |
|                   |                        | <b>- Population</b>  | <b>Flash: 5.12m</b>         | <b>5.12m</b>           |
|                   | <b>US: 14:00</b>       | Case-Shiller House Prices (March)                            | +0.1% (+0.4%)               |                        |
|                   | <b>US: 15:00</b>       | Conference Board Consumer Confidence (May)                   | 101.3                       | 99.0                   |
| <b>Wed 31st</b>   | <b>JPN: 00:50</b>      | Industrial Output (April)                                    | +1.1% (-0.6%)               | +1.5% (+2.0%)          |
|                   | <b>JPN: 00:50</b>      | Retail Sales (April)   | (+7.2%)                     | (+7.0%)                |
|                   | <b>FRA: 07:45</b>      | GDP (Q1: Final Reading)                                      | +0.2% (+0.8%)               | +0.2% (+0.8%)          |
|                   | <b>FRA: 07:45</b>      | Flash HICP (May)   | +0.7% (+6.9%)               | +0.3% (+6.4%)          |
|                   | <b>GER: 08:55</b>      | Unemployment Rate (May)                                      | 5.6%                        | 5.6%                   |
|                   | <b>ITA: 09:00</b>      | GDP (Q1: Final Reading)                                      | +0.5% (+1.8%)               | +0.5% (+1.8%)          |
|                   | <b>ITA: 10:00</b>      | Flash HICP (May)   | +0.9% (+8.7%)               | -0.3% (+7.2%)          |
|                   | <b>IRL: 11:00</b>      | <b>Earnings &amp; Labour Costs (Q1 2023)</b>                 |                             |                        |
|                   | <b>IRL: 11:00</b>      | <b>Unemployment Rate (May)</b>                               | <b>3.9%</b>                 | <b>3.9%</b>            |
|                   | <b>IRL: 11:00</b>      | <b>Flash HICP (May)</b>                                      | <b>+0.3% (+6.3%)</b>        | <b>+0.5% (+5.6%)</b>   |
|                   | <b>GER: 13:00</b>      | Flash HICP (May)   | +0.6% (+7.6%)               | +0.3% (+6.8%)          |
|                   | <b>US: 15:00</b>       | JOLTS Job Openings (April)                                   | +9.6m                       |                        |
| <b>Thu 1st</b>    | <b>IRL: 01:01</b>      | <b>AIB Manufacturing PMI (May)</b>                           | <b>48.6</b>                 |                        |
|                   | <b>GER: 07:00</b>      | Retail Sales (April)   | -2.4% (-8.6%)               | +1.0% (-5.0%)          |
|                   | <b>ITA: 09:00</b>      | Unemployment Rate (April)                                    | 7.8%                        | 7.8%                   |
|                   | <b>EU-20: 09:00</b>    | Final HCOB Manufacturing PMI (May)                           | 44.6                        | 44.6                   |
|                   | <b>UK: 09:30</b>       | Mortgage Approvals (April)                                   | +52,011                     | +54,000                |
|                   | <b>UK: 09:30</b>       | Final CIPS / S&P Manufacturing PMI (May)                     | 46.9                        | 46.9                   |
|                   | <b>EU-20: 10:00</b>    | Flash HICP (May)   | +0.3% (+7.0%)               | +0.2% (+6.3%)          |
|                   |                        | - Ex-Food & Energy   | +0.9% (+7.3%)               | +0.4% (+7.1%)          |
|                   |                        | - EX-Food, Energy, Alcohol & Tobacco                         | +1.0% (+5.6%)               | +0.4% (+5.5%)          |
|                   | <b>EU-20: 10:00</b>    | Unemployment Rate (April)                                    | 6.5%                        | 6.5%                   |
|                   | <b>US: 13:15</b>       | ADP National Employment Rate (May)                           | +296,000                    | +170,000               |
|                   | <b>US: 13:30</b>       | Initial Jobless Claims (w/e 22nd May)                        | +229,000                    |                        |
|                   | <b>US: 14:45</b>       | S&P Manufacturing PMI (May)                                  | 48.5                        | 48.5                   |
|                   | <b>US: 15:00</b>       | Manufacturing ISM (May)                                      | 47.1                        | 47.0                   |
| <b>Fri 2nd</b>    | <b>FRA: 07:45</b>      | Industrial Output (April)                                    | -1.1%                       | +0.3%                  |
|                   | <b>IRL: 11:00</b>      | <b>Quarterly National Accounts (Q1 2023)</b>                 |                             |                        |
|                   |                        | <b>- GDP</b>   | <b>Flash: -2.7% (+6.4%)</b> | <b>-2.7% (+6.4%)</b>   |
|                   | <b>US: 13:30</b>       | Non-Farm Payrolls (May)                                      | +253,000                    | +193,000               |
|                   |                        | - Unemployment Rate  | 3.4%                        | 3.5%                   |
|                   |                        | - Average Earnings   | +0.5% (+4.4%)               | +0.3% (+4.4%)          |
|                   | <b>IRL: 16:30</b>      | <b>Exchequer Returns (May 2023)</b>                          | <b>May'22: +€1.4bn</b>      | <b>May'23: -€0.6bn</b> |
|                   |                        | <b>- Excluding NRF Transfer</b>                              |                             | <b>+€3.4bn</b>         |

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

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