

Irish Economy

TOPIC OF THE DAY FROM AIB GLOBAL TREASURY SERVICES

Labour Market remained firm at end 2006

Only slight moderation in pace of jobs growth anticipated this year, despite recent negative jobs announcements.

Recent weeks have seen several announcements of job losses or risks to jobs in the future. These though are not reflected in today's labour market data, contained in the Quarterly National Household Survey for Q4 2006. Indeed the rate of jobs growth accelerated slightly in Q4 2006, and the data confirm that the labour market remained strong at end 2006. Overall, there were 85,500 jobs added in the year to Q4 2006, an increase of 4.3% year-on-year, which is up slightly on the 4.2% year-on-year increase recorded in Q3 last year.

Non-Irish nationals remain an important driver of overall labour force and employment growth, accounting for more than half of the additional jobs created for the second consecutive quarter. However, there was still continued strong growth in employment amongst Irish national workers and a fall in the number unemployed, which saw their unemployment rate decline to 3.9%. In contrast there was an increase in the number of non-Irish nationals unemployed. However, the unemployment rate for non-Irish nationals still declined.

Jobs gains over the year to Q4 2006 were mainly in the public sector (notably health and education), construction and financial services areas. Indeed, there must continue to be concerns about the extent to which Ireland's strong employment growth is being fuelled by the construction sector. It would appear that the pace of jobs growth in the construction sector has reaccelerated again in recent quarters. The proportion of total employment accounted for by this sector continues to increase and some 33% of the total jobs created in the latest twelve month period were in construction. Looking forward, the pace of growth in construction sector employment, though, may well slow with the supply of new housing reaching a peak.

Meanwhile, there was an increase of 3,900 jobs in the manufacturing sector continuing the modest improvement of the previous quarter. Recent negative jobs announcements have raised serious concerns about our competitive position and its implications for employment prospects in this sector. However, it must also be acknowledged that some of the announced job losses are related to wider and more global issues and not necessarily related to Irish competitiveness.

However, while we expect some moderation in the pace of employment growth in 2007, there is nothing to suggest that the Irish labour market as a whole is about to experience a sharp correction. Service sector employment is likely to remain a key driver of employment growth and, overall, we expect that the labour market will remain firm reflecting another year of strong economic growth. Supporting this view is the recent FAS/ESRI survey showing a marked increase in vacancies in January, with 20% of firms in the private sector reporting vacancies, compared to 13% in December. Meanwhile, there has been no sign of upturn in the live register. Thus, we look for employment growth in the region of 4.0% in 2007, compared to 4.4% in 2006. [For this full publication click here : http://www.aibecomomics.com/PDFS/QNHS%20-%20Q4%2006.pdf](http://www.aibecomomics.com/PDFS/QNHS%20-%20Q4%2006.pdf)

John Beggs

Chief Economist
john.f.beggs@aib.ie

Oliver Mangan

Chief Bond Economist
oliver.n.mangan@aib.ie

Geraldine Concagh

Senior Economist
geraldine.t.concagh@aib.ie

Jenny Pollock

Senior Economist
jenny.c.pollock@aib.ie

This publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expression of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. Allied Irish Banks p.l.c. is regulated by the Financial Regulator and is also regulated by the Financial Services Authority for the conduct of UK business.

AIB Global Treasury Services



www.fxcentre.com
Dublin * Cork * Belfast * London * Manchester * New York

www.fxcentre.co.uk

www.fxcenterusa.com



Labour Market remained firm at end 2006 ...

... Only slight moderation in pace of jobs growth anticipated this year, despite recent negative jobs announcements

Recent weeks have seen several announcements of job losses or risks to jobs in the future. These though are not reflected in today's labour market data, contained in the Quarterly National Household Survey for Q4 2006. Indeed the rate of jobs growth accelerated slightly in Q4 2006, and the data confirm that the labour market remained strong at end 2006. Overall, there were 85,500 jobs added in the year to Q4 2006, an increase of 4.3% year-on-year, which is up slightly on the 4.2% year-on-year increase recorded in Q3 last year.

Non-Irish nationals remain an important driver of overall labour force and employment growth, accounting for more than half of the additional jobs created for the second consecutive quarter. However, there was still continued strong growth in employment amongst Irish national workers and a fall in the number unemployed, which saw their unemployment rate decline to 3.9%. In contrast there was an increase in the number of non-Irish nationals unemployed. However, the unemployment rate for non-Irish nationals still declined.

Jobs gains over the year to Q4 2006 were mainly in the public sector (notably health and education), construction and financial services areas. Indeed, there must continue to be concerns about the extent to which Ireland's strong employment growth is being fuelled by the construction sector. It would appear that the pace of jobs growth in the construction sector has reaccelerated again in recent quarters. The proportion of total employment accounted for by this sector continues to increase and some 33% of the total jobs created in the latest twelve month period were in construction. Looking forward, the pace of growth in construction sector employment, though, may well slow with the supply of new housing reaching a peak.

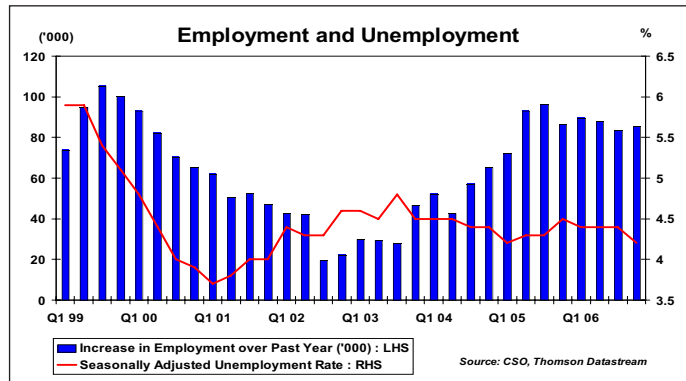
Meanwhile, there was an increase of 3,900 jobs in the manufacturing sector continuing the modest improvement of the previous quarter. Recent negative jobs announcements have raised serious concerns about our competitive position and its implications for employment prospects in this sector. However, it must also be acknowledged that some of the announced job losses are related to wider and more global issues and not necessarily related to Irish competitiveness.

However, while we expect some moderation in the pace of employment growth in 2007, there is nothing to suggest that the Irish labour market as a whole is about to experience a sharp correction. Service sector employment is likely to remain a key driver of employment growth and, overall, we expect that the labour market will remain firm reflecting another year of strong economic growth. Supporting this view is the recent FAS/ESRI survey showing a marked increase in vacancies in January, with 20% of firms in the private sector reporting vacancies, compared to 13% in December. Meanwhile, there has been no sign of upturn in the live register. Thus, we look for employment growth in the region of 4.0% in 2007, compared to 4.4% in 2006.

Labour Market Remains Firm

The Irish labour market continues to perform strongly, according to today's Quarterly National Household Survey (QNHS). Indeed, the rate of job creation has accelerated slightly in Q4 2006.

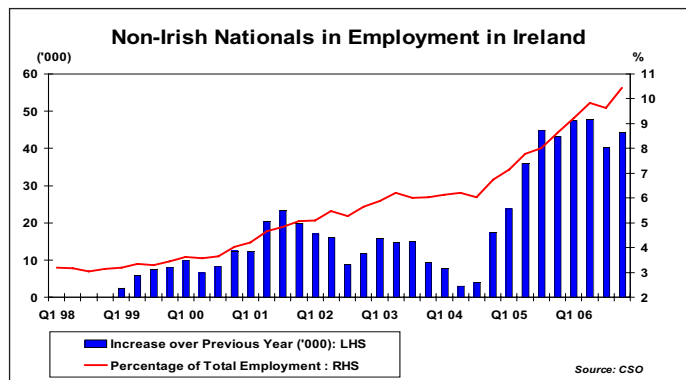
- Employment grew by 85,500 or 4.3% in the year to Q4 2006. This is up just slightly on the Q3 2006 growth rate of 4.2%, though down from the peak of 5.1% in Q2 and Q3 2005.
- Meanwhile, the unemployment rate fell slightly to 4.1%, compared to 4.4% a year earlier. Seasonally adjusted the unemployment rate fell to 4.2% from 4.4% at Q3 2006.
- The overall labour force grew by 82,900 (+4.0%) in the year to Q4 2006.



Non-Irish national workers continue to be the major driver of jobs growth

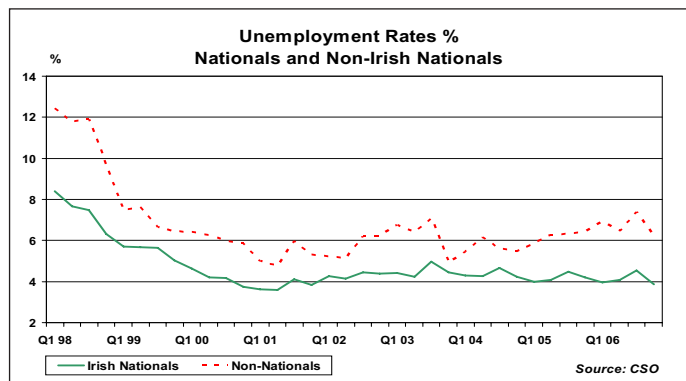
Non-Irish nationals remain an important driver of overall labour force and employment growth, with a continued strong inflow of non-Irish national workers, particularly from the EU Accession States.

- In Q4 2006, there were an estimated 215,500 non-Irish nationals in employment, representing 10.4% of total employment of 2,066,100.



- Non-Irish nationals accounted for almost 52% of the increase in employment in the year to Q4 2006, representing more than half of the the total growth in employment for the second consecutive quarter. Of these, workers from the EU Accession States accounted for 27,000 (or 31.6%) of the increase in total employment and now account for 41% of non-Irish national workers.

- The number of non-Irish nationals unemployed also rose (by 2,500) in the year to Q4 2006. However, the unemployment rate for non-Irish nationals still fell to 6.2% from 6.4% in Q4 2005.



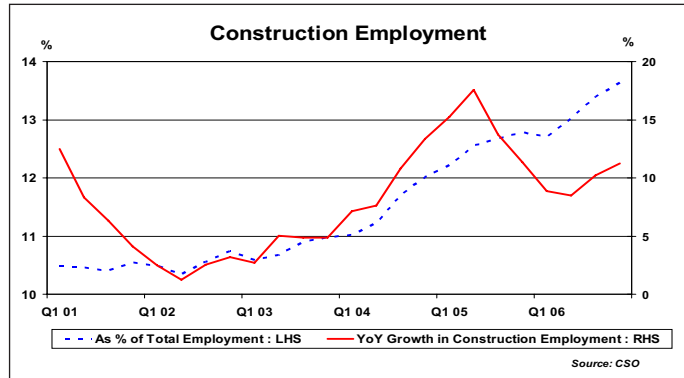
- Meanwhile, there was continued strong growth in employment and a low unemployment rate amongst Irish national workers The number of Irish nationals unemployed fell 5,100, giving an unemployment rate of 3.9%, despite the increase in non-Irish nationals in employment.

- Increased participation rates accounted for almost 20,000 (24%) of the increase in the labour force. Participation amongst males increased to 73.1% from 72.5% a year previously. Meanwhile, the participation rate for females increased to 53.0% from 52.1%.

Continued strong growth in construction sector employment

There was continued strong growth in construction sector employment which will serve to reinforce the undoubted concerns about the extent to which our strong employment growth has been fuelled by the construction sector.

- The construction sector accounted for 28,400 (33%) of the increase in numbers employed in the year to Q4 2006.
- Construction continues to account for an increasing proportion of total employment. The sector now accounts for 13.6% of total employment.
- Of the 28,400 increase in employment in the sector in the year to Q4 2006, 12,500 (or some 44%) were non-Irish nationals. There was, though, also strong employment growth of 16,500 by Irish nationals. Thus, non-Irish nationals as a proportion of those employed in construction decreased somewhat to 13.4% in Q4 2006 from 14.6% in Q3 last year.
- It had appeared that the hectic pace of jobs growth in the construction sector may be cooling somewhat. However, it would seem to have reaccelerated again in recent quarters. Employment in the sector grew by 11.2% year-on-year in Q4 2006. This is up from 10.2% and 8.5% in Q3 and Q2 2006 respectively, though still down on the peak in construction employment growth of 17.6% year-on-year in Q2 2005.

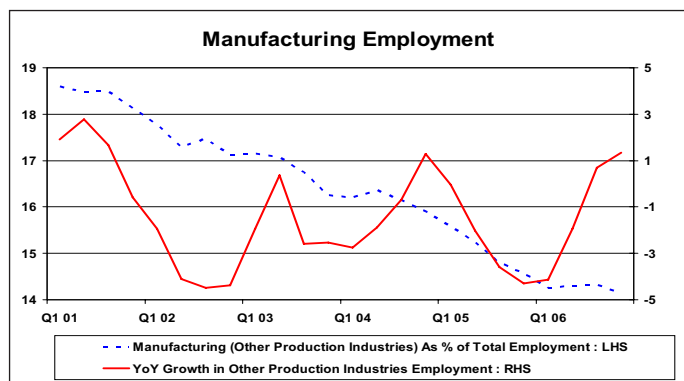


	Construction	Total Workforce
Irish	86.6	89.6
Non-Nationals of which	13.4	10.4
UK	2.0	1.8
EU-15 Ex Ire & UK	0.4	1.2
Accession States	8.4	4.3
Other	2.6	3.1
Total	100	100

Source: CSO

Slight growth in manufacturing sector employment

Manufacturing's share of employment has been in decline for several years. However, the rate of decline has eased in recent quarters. Meanwhile, there was some modest improvement in the number employed in the sector in the year to Q3 2006, and this has been maintained in the most recent quarter. Based on the recent spate of negative jobs announcements, though, it is now quite possible that this year will see the manufacturing sector resume its decline.



- The manufacturing sector (other production industries) saw an increase of 3,900 jobs in the year to Q4 2006.
- There was further evidence of job redistribution in the sector, with 5,100 increase in employment by non-Irish nationals while Irish nationals saw a decrease in employment of 1,300.



Apart from construction, health and education sectors perform strongly

- The public sector was the main driver of employment growth with an additional 34,800 jobs in the public administration (+4,400), education (+11,700) and health (+18,700) sectors. This represents some 41% of the total increase in employment in the year to Q4 2006.
- The financial and other business services sector also performed well, with an increase of 15,000 jobs in the year to Q4 2006.
- Notably, though, there were only very modest increases in the numbers employed in the wholesale and retail trades (+3,300) and the hotels and restaurants sectors (+1,100) while the number employed declined in the transport, storage and communications sector (-1,100).
- There was in evidence of further job re-distribution between Irish nationals and non-Irish nationals Q4 2006 in the manufacturing, wholesale and retail trades, hotels and restaurants and transport, storage and communications sectors. In these sectors (apart from in the transport, storage and communications) overall employment increased. However, in each of these sectors there was an increase in employment by non-Irish nationals while employment by Irish nationals fell. As noted, earlier, though, this has not impacted on overall employment levels by Irish nationals

Increase in Irish Employment by Sector : Year to Q4 2006			
Sector	Irish Nationals	Non-Irish Nationals	Total
Agriculture Forestry and Fishing	-200	800	500
Other Production Industries	-1,300	5,100	3,900
Construction	16,000	12,500	28,400
Wholesale and Retail Trade	-3,200	6,500	3,300
Hotels and Restaurants	-7,400	8,500	1,100
Transport, Storage and Communication	-3,700	2,500	-1,100
Financial and Other Business Services	10,900	4,000	15,000
Public Administration and Defence	4,600	-200	4,400
Education	11,700	0	11,700
Health	15,700	2,900	18,700
Other Services	-2,200	1,700	-500
Total Employment	41,100	44,300	85,500

Note: Figures may not total due to rounding errors

Source: CSO

22nd February 2007

All data in this report from official sources, unless otherwise stated

The publication is for information purposes and is not an invitation to deal. The information is believed to be reliable but is not guaranteed. Any expression of opinions are subject to change without notice. This publication is not to be reproduced in whole or in part without prior permission. Allied Irish Banks p.l.c. is regulated by the Financial Regulator.