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Economic/Bond Research

Irish Live Register (August)

Wednesday, 1 September 2010

There was more bad news on the unemployment front this morning with a further monthly increase in the seasonally-adjusted Live Register, with the only consolation being that the level of increase was the lowest since April. Still, there was a monthly rise of 2,500, bringing the Register to a new record high of 455,000, and this was enough to push the unemployment rate up another notch, to 13.8%.

On an unadjusted basis, the headline total signing on increased by just 100 in the month, bringing the Live Register total up to 466,900, also a record high. Year-on-year, there was an increase of 30,200 as against 34,400 in July and 37,400 in June. Although, the annual rate of increase in the numbers on the Live Register appears to be slowing down, that will be of little consolation to the tens of thousands who have lost their jobs during the recession. Indeed, in the first eight months of 2010, the average total on the Live Register was 445,800, or 57,200 higher than the comparable figure of 388,600 in the same period last year.

The sharp deterioration in labour demand has had a clear dampening effect on the labour force, as evidenced by the 2.5% year-on-year decline in the first quarter of 2010 according to the Quarterly National Household Survey. The fall-off in the labour force is expected to continue during 2010 and 2011. Weak labour demand conditions are likely to continue to weigh upon labour force participation, with the participation rate set to fall back further in 2010 and 2011.

However, it is anticipated that this downward adjustment in the participation rate will largely reflect the response of migratory flows as outward migration seems set to gather pace during 2010. Another net migratory outflow should be recorded in 2011, though probably not as high as 2010. Still, a lot will depend on the underlying health of the world economy next year and how well Ireland is faring out.

As with the US economy, the Irish economic recovery appears to have got stopped in its tracks, which doesn't augur well for employment prospects in the coming months. Indeed, figures from the manufacturing sector this morning showed that the headline PMI fell to 51.1 in August, its lowest level since February. More worrying was the fact that companies shed staff at the fastest pace since March, with the sub-index measuring employment falling to 47.0 from 48.8 in July.

A pick-up in the labour market tends to lag recovery in output/GDP by six to nine months, but with the recovery now running out of steam, any improvement in job prospects is likely to be delayed. Further losses in the construction, financial services and retail sectors look inevitable over the next few months. Trade union officials from the banking sector estimate that some 4,000 jobs in the financial sector will be lost over the next year as domestic lenders restructure and foreign-owned banks trim their operations in the wake of Ireland's banking crisis.

All in all, it now looks like the jobless rate will hit 14.0% before the year is out, and will peak somewhere between 14.0% and 14.5% next year, but with the risks now tilted back to the upside.

	Unadjusted Total ('000)	Absolute Change Year ('000)	Seasonally Adjusted Total ('000)	Absolute Change Month ('000)	Seasonally Adjusted Jobless Rate %
2009 August	436.7	189.3	424.7	6.6	12.3
2010 June	452.9	37.4	444.0	5.1	13.4
2010 July	466.8	34.4	452.5	8.5	13.7
2010 August	**466.9**	**30.2**	**455.0**	**2.5**	**13.8**

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