Weekly Market Brief

AIB Treasury Economic Research Unit

31st August – 4th September 2026

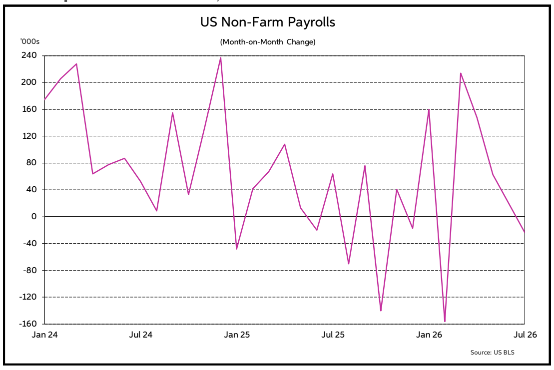
Working 9 to 5

- **The Irish labour market has been on an exceptional run, with employment rising by 20% (+461k) since the beginning of the decade to over 2.8 million people.** However, there have been some signs of a cooling lately, including relatively weak jobs gains in the first half of 2026 in the official labour force survey (LFS). This has raised concerns that the domestic economy might be slowing down. While the labour market is clearly not as hot as it was a year ago, the LFS could be overstating the weakness, with other indicators pointing to a still robust picture.

- **The recent Q2 2026 LFS report indicated employment was up by a muted 1% year-on-year.** Labour force participation also declined, dipping below 66% in the first half 2026 for the first time in two years. The fall in participation has limited increases in the unemployment rate, currently around 5%, but there are pockets of weakness in younger cohorts, with employment down 1.3% y/y in the 16 to 24-year age group. Furthermore, a marked contraction in the number of people working in Tech (-2% y/y) has raised some concerns that AI may now be negatively impacting the labour market, given this cohort of workers are thought to be highly exposed.

- **Other indicators of labour market activity also point to some cooling, including a fall in the number of job vacancies and the further easing in the Churn Rate (the number of people who changed jobs).** A slowdown in the labour market was inevitable following the post-Covid jobs boom, but not all metrics suggest the picture may be as weak as the headline numbers suggest. The latest Earnings and Labour Costs report for Q2 shows that wages are still running at a healthy 4% annual pace, with solid gains even in sectors which have shed jobs over the past year. While widely publicised layoffs at some prominent tech companies recently likely heightened fears that AI may already be replacing jobs, it is simply too early to say conclusively that this is the case, over a general 'rightsizing' of workforces in these companies following a period of rapid growth. While employment-searching platforms such as Indeed show job postings have fallen over the past year, the number of roles mentioning AI terms has also surged to nearly 15%, well ahead of other markets, and suggests that AI has so far been complementary rather than destructive of jobs.

- **Moreover, the LFS data does not fully tally with other sources suggesting continued jobs growth.** Increasingly, administrative data-based series are gaining prominence, as survey-based measures such as the LFS can face issues of sampling variability and lower response rates. Payroll jobs data from actual PAYE records shows employee jobs rising by a healthy 2% y/y in Q2 (vs. a LFS rate of 1%), although this survey also points to weakness in jobs growth for younger workers. Looking ahead, other lead indicators such as AIB's PMI surveys suggest robust demand for workers across the private sector, as does the number of work permits issued to foreign nationals so far in 2026, across a variety of sectors.



- **Turning to the week ahead, the main release of note will be the US labour market report for August.** The previous report in July was weak. In particular, hiring was soft, reviving concerns about the overall health of the labour market. Indeed, payrolls fell by 23k in July, the second monthly contraction this year. Furthermore, revisions indicate payrolls expanded by 83k in the two months previous, down from an initial estimate of 229k. Meantime, the unemployment rate declined for a second successive month, to 4.1% in July. However, the fall only occurred as the number of people leaving the labour market was larger than the drop in the employment level. Amid the current "low fire, low hire" conditions in the jobs market, wage inflation has slowed. Average earnings rose by just 3.2% year-on-year in July, the weakest rate of increase since May 2021. The consensus is for payrolls to rise by a modest 65k in August, while the unemployment rate is expected to inch back up to 4.2%. Meanwhile, wage inflation is forecast to ease marginally to 3.1%. **Elsewhere in the US, the manufacturing and the non-manufacturing ISMs for August are also due.** Both indices have been firmly above the key 50 threshold throughout this year. They are projected to be little changed in August, indicating activity levels remain robust.

- **In the Eurozone, the flash reading of HICP inflation for August will garner attention.** Largely owing to the war in the Middle East and the associated rise in energy prices, headline inflation has risen sharply this year. It increased from 1.9% in February to a peak of 3.2% in May, before declining to 2.8% in June and to 2.9% in July. However, there has been limited evidence to date that energy price rises have led to broader inflationary pressures. Core inflation has printed in a very narrow 2.1-2.3% range so far this year. The headline rate is forecast to match its peak in May and rise to 3.2% again in August, but the core rate is set to remain unchanged at 2.2%. Meanwhile, the Eurozone unemployment rate is expected to stay at 6.3% in July, for the seventeenth time in nineteen months. **On the home front, a busy calendar features a number of important updates, including the national accounts for Q2, as well as the unemployment rate, PMIs, Exchequer returns and HICP inflation for August.**

Interest Rate Forecasts

	Current	End Q3 2026	End Q4 2026	End Q1 2027
Fed Funds	3.625	3.625	3.625	3.375
ECB Deposit	2.25	2.50	2.50	2.50
BoE Repo	3.75	3.75	3.75	3.50
BoJ OCR	1.00	1.25	1.25	1.25

Current Rates Reuters, Forecasts AIB's ERU

Exchange Rate Forecasts (Mid-Point of Range)

	Current	End Q3 2026	End Q4 2026	End Q1 2027
EUR/USD	1.1607	1.15	1.16	1.17
EUR/GBP	0.8561	0.87	0.88	0.88
EUR/JPY	185.69	184	184	185
GBP/USD	1.3556	1.34	1.33	1.33
USD/JPY	159.96	159	159	158

Current Rates Reuters, Forecasts AIB's ERU

ECONOMIC DIARY

Monday 31st August - Friday 4th September

AIB Treasury Economic Research

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Date	*UK & Irish Time (GMT+1)*		*Release*	*Previous*	*Forecast*
This Week:	**ECB Speakers:**		Vujčić (Tue); Lane (Fri)		
	BoE Speakers:		**Bailey** (Fri)		
	Fed Speakers:		Waller (Thu)		
Mon 31st	**UK:**		**Late August Bank Holiday**		
	JPN:	00:50	Industrial Output (July)	+1.9%	-0.7%
	JPN:	00:50	Retail Sales (July)	(+0.5%)	(+2.9%)
	IRE:	***11:00***	***Flash HICP Inflation (August)***	***+0.1% (+3.1%)***	
	GER:	13:00	Flash HICP Inflation (August)	+0.9% (+2.8%)	***+0.3% (+3.1%)***
Tue 1st	***IRE:***	***01:01***	***AIB Irish Manufacturing PMI (August)***	***55.1***	
	GER:	07:00	Retail Sales (July)	-0.7% (+0.0%)	+0.4% (+1.3%)
	EU-21:	09:00	Final Manufacturing PMI (August)	52.8	52.8
	ITA:	09:00	GDP (Q2: Final Reading)	+0.2% (+1.0%)	+0.2% (+1.0%)
	UK:	09:30	Mortgage Approvals (July)	58,200	59,350
	UK:	09:30	Final S&P Manufacturing PMI (August)	51.5	51.5
	ITA:	09:30	Unemployment Rate (July)	5.7%	
	EU-21:	10:00	Flash HICP Inflation (August)	+0.2% (+2.9%)	+0.5% (+3.3%)
			- Ex-Food & Energy	+0.0% (+2.2%)	+0.3% (+2.2%)
			- Ex-Food, Energy, Alcohol & Tobacco	+0.0% (+2.5%)	+0.3% (+2.5%)
	EU-21:	10:00	Unemployment Rate (July)	6.3%	6.3%
	ITA:	10:00	Flash HICP Inflation (August)	+0.3% (+2.9%)	
	US:	14:45	Final S&P Manufacturing PMI (August)	53.2	53.2
	US:	15:00	Manufacturing ISM (August)	55.6	55.3
	US:	15:00	JOLTS Job Openings (July)	7.36m	7.25m
Wed 2nd	***IRE:***	***11:00***	***Unemployment Rate (August)***	***5.1%***	***5.1%***
Thu 3rd	***IRE:***	***01:01***	***AIB Irish Services PMI (August)***	***55.2***	
	JPN:	01:30	Final S&P Composite PMI (August)	52.3	52.3
	ITA:	08:45	Final S&P Composite PMI (August)	52.5	52.5
	FRA:	08:50	Final S&P Composite PMI (August)	48.8	48.8
	GER:	08:55	Final S&P Composite PMI (August)	51.0	51.0
	EU-21:	09:00	Final S&P Composite PMI (August)	52.1	52.1
			- Final S&P Services PMI	51.7	51.7
	UK:	09:30	Final S&P Composite PMI (August)	52.5	52.5
			- Final S&P Services PMI	52.8	52.8
	EU-21:	10:00	Producer Prices (July)	-0.3% (+4.6%)	
	US:	13:30	Initial Jobless Claims (w/e 24th August)	203,000	205,000
	US:	14:45	Final S&P Composite PMI (August)	56.0	56.0
			- Final S&P Composite PMI	56.8	56.8
	US:	15:00	Non-Manufacturing ISM (August)	54.1	54.0
	IRE:	***16:30***	***Exchequer Returns***	***Aug'26: +€3.2bn***	
Fri 4th	**GER:**	07:00	Industrial Orders (July)	+3.1%	+0.0%
	EU-21:	10:00	Retail Sales (July)	-0.3% (+0.7%)	+0.3% (+1.3%)
	IRE:	***11:00***	***National Accounts (Q2 2026)***		
			- GDP	***Flash: +3.9% (-1.6%)***	
			- MDD	***+0.3% (+3.4%)***	
	US:	13:30	Non-Farm Payrolls (August)	-23,000	+45,000
			- Unemployment Rate	4.1%	4.2%
			- Average Earnings	+0.1% (+3.2%)	+0.3% (+3.1%)

♦ *Month-on-month changes (year-on-year shown in brackets)*