# The current unemployment rate and inflation rate in Ireland

**The current unemployment rate**

According to Irish Quarterly Household Survey, the employment growth rate of Ireland was slowdown during the last three months of the year 2015, the increase was of 4, 700.  With the employment (male) fell during the quarter, of roughly 4,000, the unemployment of male has been reportedly gone up. The year 2015 witnessed in its firs half the total employment growth greater than 30,000 and the final quarter of the year was stood at 44, 000; however, 2016 forecast for employment growth may go down relatively. When it comes to labor force, it grew in quarter at 9,000 and overall increase in the year stood at 18,000 throughout the year. The rate of participation is going up yet again, modestly though, and regarding the net emigration, it went down to 14,000 in the year and during the recent months it had further dipped. Therefore, it stands in favor of growth of labor force. The consequence of the interaction that took place between labor force and employment led the unemployment rate to a marginal fell by 1.700 to 196, 00 and the stood at 26,000 relatively low than that of the previous year. But the slowdown was rather reported during first half of the year 2015 (Pissarides 2015).

The quarter 4 of the year also witnessed a decline of 9.1%; however, it is in modest manner in comparison with quarter 3 where 9.2% recorded. The quarter 4 estimate was understood as above the monthly published estimates which led to the need of revision, with the unemployment rate of 8.9%, which was forecasted at 8.6 %. The figures of quarterly employment can be of volatility and soft reading has been recorded than that of the yearly periods of 2014. Hence, it is not wise to come to conclude of the data on the pretext that Ireland is reportedly performing itself than its capacity, as per the estimate of department of finance forecasts, which means above full-fledged employment. This underlines a big problem of structural unemployment. This observation might be perceived to be incorrect and if it is correct that means unemployment rate may not go down immediately as against the forecast.

Irish unemployment rate that is adjusted seasonally was stood at 8.8 % in the month of February 2016, which was dip from 8.9 % recorded in the month of January and recorded 10.0 % preceding year.  The unemployment rate very badly dipped lowest since December 2008 since the rate of unemployed people has been decreased.  The average rate of unemployment rate was 10.94 % recorded from the year 1983 till the year 2016, in Ireland, which is a higher of 17.30 % in the year 1985 and December 2000  witnessed 3.70 % low record. The central statistics office Ireland reports unemployment rate (Horwitz & Myant 2015).

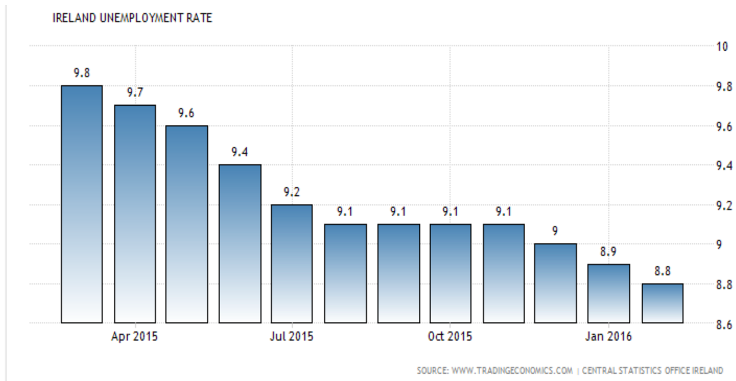


Figure 1: Ireland unemployment rate

**Irish Inflation rates**

The Irish market is expected of further easing of monetary by governing council by reconsidering policy stance due to the risks being underplayed and the public is looking forward to the publication of the forecast of quarterly macro economy of up to the year of 2018. As per the current inflation forecast is expected to be appreciated from 1.0% this annual to 1.6% preceding year which is based on the oil price that stood at $52. The inflation rate was positive yet again in the year 2015, of late and appreciated to 0.3% in the month of January and ironically February witnessed weak rate of 0.2% (Crafts 2014).

Both Euro bond yields decline and the depreciation of euro of late in the looking forward of ECB action. However, the bank was cautious of over-expectations and the bank was also cautious of market reaction with respect to their December announcement. With the subsequent appreciation of Euro exchange rate to 6%, mid February, the speculative short positions when it comes to dollar/euro also declined considerably. This is coupled with other factors such as expectations of us monetary policy. But the ECB gave warning against excessive expectations with regards to policy action (Lea 2015).

The way out is to the reduction of deposit rate into negative by ECB following other banks. The deposit rate is 0.30% at ECB. This is to enable banks to lend to private sectors or banks using the reserves, to avoid losses by parking with the ECB. And the cut in the rate (deposit) can help apply further pressure within the bond yields money market rates. Hence depreciation in currency will eventually help strengthen inflation.

The rates of the banks paid to the bank depositors are not possible to eventually become negative. Most of the loans are depended upon money market rate, for example, 3/6 months euribor. Negative rate also can badly impact the margins and which further impacts bank profitability. Some experts argue that this issue can be done away with by way of a strong lending growth, however such effort is being considered in the euro field within the yearly loan growth to private sector is recorded at merely .0.6% in the month of January. Debt levels are being reduced by firms and consumers across several countries which include Ireland. The banks with respect to supply side are to build capital to address regulatory requirements that have been changed. These banks are burdened by non performing assets which are high level. Furthermore, bank lending to private sectors or consumers is a danger where capital cover is required and because of which bank lending to governments is not relatively risky since zero capital cover is required, when the bank ECB tend to buy government debt in the market. This can end up to the public not considering the profitability capability of banks rather the value a bank system that healthier and this will help boot the growth of euro area and the negative rate will in now boost euro(Lea 2015).

negative rates rather communicates negativism that the conditions of the economy is away from normal recovery and also has the chance of negative communication that monetary policy has come to the limits which further inflate problem. Negative deposit rates for example is expected to go a long way, this may end up in fundamental change within the financial system. Banks also may keep excess reserves rather not in deposit but in cash with central banks, as rates on cash are not negative. And in case commercial banks come up with the introduction of negative deposit rates in a large manner, it may lead the retail depositors to go along the same way as does the banks. This is a real scenario of threatening the very functionality of banking structural system where the intermediation of borrowers and savers is going around.

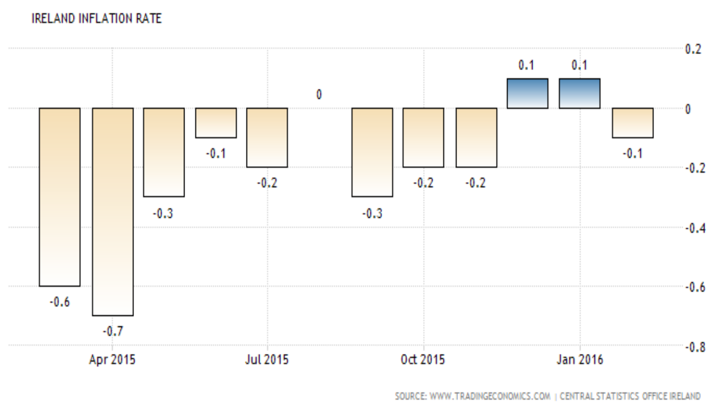


Figure 2: Ireland inflation rate

**References**


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