

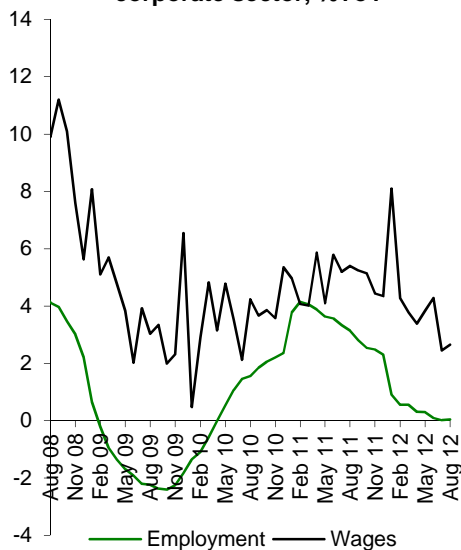
# Instant comment

## Employment and real wages decline

18 September 2012

In August wage growth in corporate sector accelerated slightly to 2.7%YoY (from 2.4%YoY in July), while employment declined for another time in a row. These data are in line with our scenario of labour market stagnation in the upcoming months. In our view, today's labour market data together with CPI figures and expected by us weak growth of output in industry (release tomorrow at 14:00CET) should deliver sufficient arguments for most MPC members to cut interest rates at October's meeting.

**Employment and wages in corporate sector, %YoY**



In August average wages in enterprise sector reached PLN3686.45, i.e. lower by 0.4%MoM and higher by 2.7%YoY. Annual pace of growth was only slightly below our forecast at 2.9%YoY and below market consensus at 3.1%YoY. Compared to previous month (2.4%YoY) the annual pace of growth accelerated, but data after excluding bonus payments show clear slowdown (from 3.6%YoY in June to 2.6% in August). That means that the underlying wage growth may be even weaker than we previously expected. Our base scenario assumes that wages in enterprise sector will grow by 3%YoY on average in the remainder of the year and that will stand for a negative growth of real wages.

As expected, employment in enterprise sector declined in August by 0.1%MoM, which translated into annual growth at zero (flat in comparison with July). Number of employment reached 5522.2k, which means that number of workplaces has decreased by ca. 30k since the beginning of the year as compared to growth by ca. 20k in the same period of 2011. We expect that the employment growth in annual terms will stabilize near zero in upcoming months.

Wage bill in corporate sector rose in August by 2.7%YoY in nominal terms (slightly stronger than one month before), but fell by 1.0%YoY in real terms. These data are in line of our baseline scenario of decelerating consumer demand in the upcoming quarters. To sum up, today's labour market data, together with CPI reading, should underpin arguments of "dovish" part of the MPC as regards interest rate cut at the upcoming October's meeting.

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