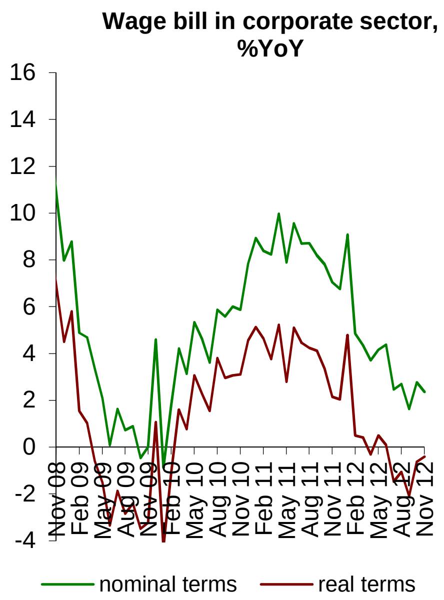
Bank Zachodni WBK

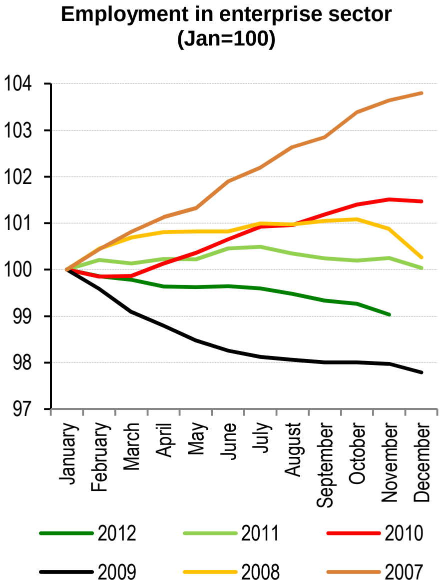
Instant comment

Employment fall accelerating

18 December 2012

Average wage growth in corporate sector reached 2.7%YoY in November, while average employment dropped by 0.3%YoY. The data confirmed that situation in the labour market is deteriorating, which means there is no threat of strengthening wage pressure or second round effects. More interest rate cuts are needed and justified, and the next one will most likely take place already in January.





Wage growth in enterprise sector slowed to 2.7%YoY in November, while our forecast and market consensus assumed a stabilization at October's 2.8%YoY. Still, this result should be treated as consistent with expectations, especially taking into account the high uncertainty about growth rate of wages in mining sector in November and December due to varying dates of payment of Miner Day's bonuses (sometimes most of them are paid in late November, sometimes in early December). November's wages were also affected by hike agreed with trade unions in JSW mining company.

Average employment in enterprise sector fell by 0.3%YoY (vs our forecast at -0.1%YoY and consensus at -0.2%YoY). As compared with October, the number of workplaces fell by 13k, which is the highest monthly decline since May 2009. Since January, the average employment has fallen by as much as 54k people (versus an increase by 14k in a corresponding period of 2011).

All in all, data confirm further deterioration of situation on the labour market. The acceleration of number of redundant people seems to be most worrying and amid only marginal pace of wage growth (real wages declined despite strong inflation drop seen in November) this has negative impact on consumers' real income. In November the total wage bill in enterprise sector increased by 2.3%YoY in nominal terms but in constant prices it contracted by 0.4%YoY (fifth month in a row of negative real growth). This data confirmed the necessity of further rate cuts but did not trigger any market reaction as investors have already priced in monetary policy easing quite aggressively. As we mentioned before, the NBP rate cut by 25bps in January is almost a done deal.

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