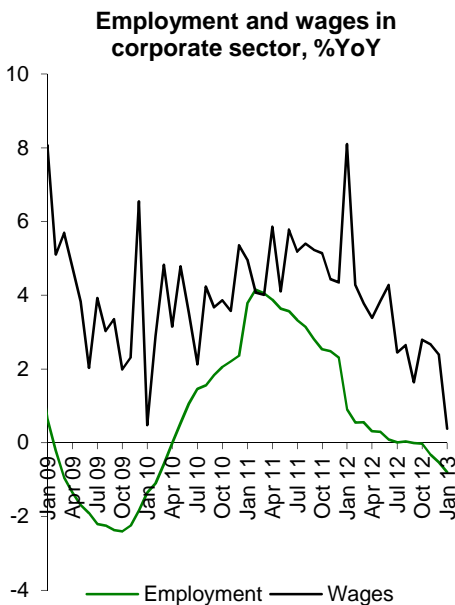


Instant comment

Slowdown in labour market continues

18 February 2013

Average employment in corporate sector fell in January by 0.8%YoY, while average wage growth slowed to merely 0.4%YoY (lowest in a decade). Although the data are most likely biased by the effect of annual change in the sample of surveyed companies, in our view they support the scenario of another interest rate cut in March. Still, more important for the MPC will be tomorrow's data about production (which are likely to post quite weak results as well).



Data released today by the CSO showed that average employment in corporate sector declined in January by 0.8%YoY and average wage increased by 0.4%YoY. Pace of growth of employment was roughly in line with market consensus (median in Parkiet survey at -0.9%YoY) while data on wages was a bigger disappointment (market consensus at 1.0%YoY). Still, one should remember that January's data from Polish labour market are hard to interpret due to annual change of population of surveyed companies employing more than 9 workers. Compared to December, the number of employed increased by 0.6% (33k) but this might have been due to change of the population of companies analysed, rather than higher demand for workers. Unfortunately, it is hard to estimate to what extent the reported fall of average employment compared to previous year is due to the fact that a change in the number of surveyed companies this year is lower than it used to be in the previous year.

The wage bill in corporate sector contracted in January by 0.4%YoY (first time since October 2009). In real terms (after adjustment for inflation) this was already 7th consecutive month of negative growth. Still, this data is also distracted by the effect of change of population.

In our opinion, data from labour market support the scenario of another interest rate cut in March. However, industrial output data, which will be released tomorrow, will be more important. Today, two MPC members, Andrzej Bratkowski and Jan Winiecki, presented their opinion about prospects of interest rates, however their comments introduced little new elements to the assessment of chances for building majority for further rate reductions. It seems that these members have anchored their opinions, presenting extremely dovish and hawkish views, correspondingly. On the one hand, Bratkowski has repeated his willingness to continue monetary policy easing cycle (with reference rate decline to 3.00%). On the other hand, Winiecki said he sees no scope for lowering interest rates. Interestingly, Winiecki expects economic revival already in Q2 with GDP growth at 1.5-2.0%. In our opinion, he may be clearly disappointed with incoming data. Additionally, inflation in Q2 will be also lower than he expects (also 1.5-2.0%). For obtaining the majority for a rate cut in March votes of Zyta Gilowska, Jerzy Hausner and Andrzej Kaźmierczak will be crucial. As there is a possibility of next absence of Gilowska, comments of Hausner and Kaźmierczak should be followed with biggest attention in the coming weeks.

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