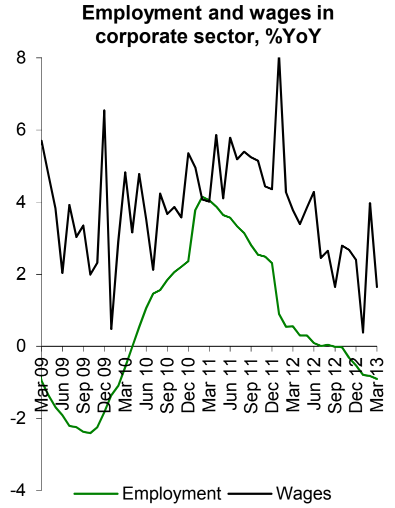
Bank Zachodni WBK

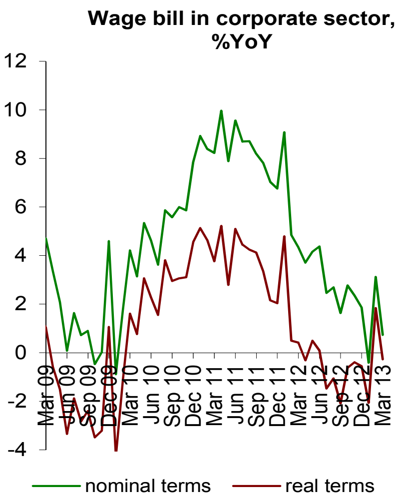
Instant comment

Low wage growth

17 April 2013

In March employment in corporate sector declined by 0.9%YoY, in line with expectations, while wage growth decelerated to 1.6%YoY (below expectations). The data show that situation on the Polish labour market is not improving, and wage pressure is minimal. In our view, some improvement may be anticipated in the second half of the year. MPC's Andrzej Bratkowski said today that if data from the labour market and about output are weak, then a cut by 50bps at the upcoming meeting of the Council will be justified. First of his conditions is met, data on output are to be released tomorrow. In any case, we do not think there will be a majority to support a cut. Market reacted to this release with a 1-2bps decline of bond yields.





In line with our and market expectations the employment in the enterprise sector declined in March by 0.9%YoY (compared to -0.8%YoY recorded in two previous months). During the past month reduction of workplaces amounted to 8.5k and since January this is already 18k. In the same period of last year, the scale of reduction reached 12k so the pace of cutting workplaces in corporate sector does not abate. Still, it cannot be excluded, that March data was distorted by poor weather conditions that could postpone launching construction and seasonal actions in these sectors and had negative pressure on employment. More detailed information about sector breakdown of employment in the enterprise sector will be released next week.

Wages in corporate sector increased only by 1.6%YoY in March (slightly below our expectations at 2.1% and well below market consensus at 2.8%YoY). As we mentioned a few times recently, data on wages in January and February were distorted by some one-off statistical factors and it was worth to analyse the average of these two months to determine the trend. The March pace of growth was below the average 2.2%YoY seen in January-February and this may suggest the trend is weaker than we initially assumed. Apparently, amid falling employment employees constrain their wage expectations.

Wage bill increased by 0.7%YoY in nominal terms, but given March inflation at 1.0%YoY, it contracted by 0.3%YoY in real terms. We expect the reduction of employment to be continued to coming quarters and the pace of wages growth will hover around 1.5-2.0%YoY. Some improvement and acceleration of real pace of growth of wage bill may be recorded only in 2H.

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