

Instant comment

Is labour market recovering?

16 July 2013

June's data on employment in the corporate sector proved better than expected as they showed monthly increase of 10k and annual decline by 0.8%. This is good news and data to be released in coming months should show whether this was a sign of a revival or only a short-term effect. Wage growth decelerated in June to 1.4%YoY but this may be only a temporary situation. Core CPI after excluding food and energy prices declined to 0.9%YoY, lowest level since September 2007. It is unlikely to fall further in the coming months.

Signs of reviving demand for labour?

June's data on average employment in the corporate sector surprised to the upside showing a monthly increase by 0.2% and annual decline by 0.8% (we and the market expected -0.9%YoY). This was already second month in a row of rising employment, this time by 9.4k – strongest increase since June 2011 (excluding first months of the year when the CSO adjusts the population of companies). We find this a positive sign though it is too early to say for sure whether this was due to higher seasonal activity or some broader revival. The release of Statistical Bulletin – in which the CSO shows employment breakdown into sectors – will help to answer this question. First signs of improvement on the labour market have already been seen in May's data on registered unemployment that showed smaller increase of the unemployed. Data released in coming months shall confirm whether the improvement in this sector is continued or this was only a temporary phenomenon.

June's wage growth in corporate sector proved lower than expected (rise by 1.4%YoY as compared to our forecast at 2.0% and market consensus at 2.3%). Slowdown of wage growth (as compared to 2.3%YoY in May) can be a temporary effect, due e.g. for shifts in bonus payments in big companies. In H1 as a whole the average wage growth amounted to ca. 2%YoY. We think that wages may accelerate somewhat in H2.

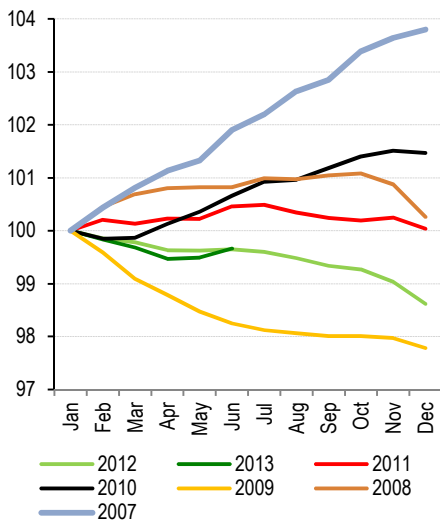
According to our calculations, wage bill in corporate sector expanded in June by 0.6%YoY in nominal terms and by 0.3%YoY in real terms. In Q2 as a whole nominal growth amounted to 1.3%YoY and real to 0.8%YoY (as compared to 1.1% and -0.2%YoY in Q1, respectively). These numbers support our forecast that consumer demand improved slightly in Q2.

Core inflation measures have continued decline

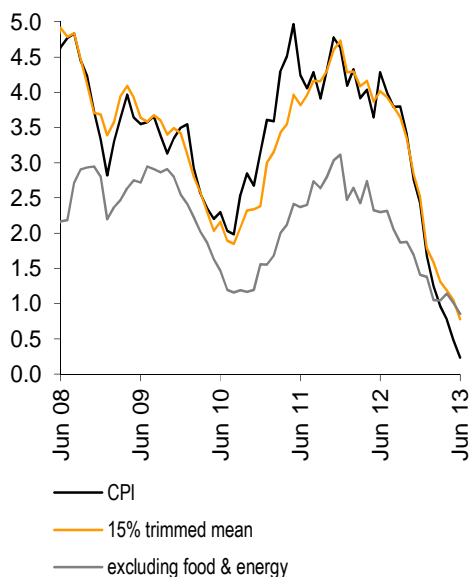
In July all core inflation measures released by the National Bank of Poland declined. Core CPI excluding food and energy prices fell to 0.9%YoY, down from 1.0%YoY in May. Only one out of four core inflation measures is still above 1% (core inflation excluding the most volatile prices: 1.4%YoY). At the same time one of them – as in previous months – was lower than headline CPI (core inflation excluding administrative prices: only 0.1%YoY).

Core inflation measures still show that there is no demand pressure on prices in Polish economy. However, the majority of core inflation measures are above the headline CPI, which indicates that such significant drop in consumer prices observed recently resulted largely from extraordinary effects. On the other hand, all measures are well below the NBP's CPI target (2.5%), which implies no risk that prices will increase significantly in medium terms. According to our forecasts core inflation excluding food and energy prices will stay around 1%YoY in coming months and will start increasing in the last quarter of this year towards 1.5%.

Employment in enterprise sector (Jan=100)



CPI and core inflation, %YoY



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