

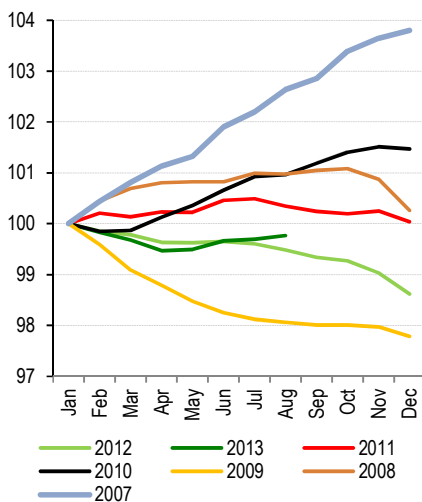
Instant comment

Bitter-sweet labour market data

17 September 2013

Pace of employment contraction decelerated in August more than expected, to -0.5%YoY, but on the other hand, wage growth disappointed showing only 2%YoY. Another positive surprise from the employment data confirms our view that negative trends on the labour market are reversing and further improvement should be expected amid continuation of the economic recovery. Still, companies seem to be reluctant in rising wages and this supports the scenario of stable NBP interest rates for the next few quarters.

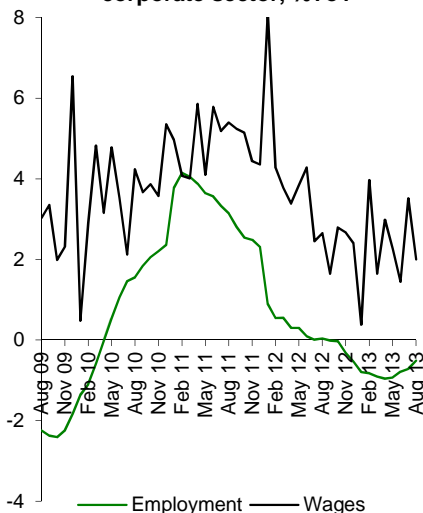
Employment in enterprise sector (Jan=100)



Pace of wage growth in the corporate sector decelerated in August to 2%YoY, below market expectations and our forecast (2.8% and 2.9%, respectively) while pace of employment contraction abated to 0.5%YoY, better than anticipated (we and the market consensus expected -0.6%).

Both releases missed expectations, but to us data the positive surprise in employment data is more important. In our opinion, it confirms that demand for labour is gradually gaining ground. Number of employed increased in August by 4k as compared to July (we expected a drop by 2k) and it was already fourth month in a row of rising employment. It is worth to notice, that this was the biggest August's increase since 2007, when actually Polish economy was in the booming phase. The margin chart shows that while in first months of this year the changes in the number of jobs were corresponding to pattern typical for economic slowdown, recent few months showed a clear trend-reversal and now the situation looks more like in the periods of expansion. Since April until August 16k workplaces were added in the corporate sector vs. reduction by 8k recorded in the same period last year.

Employment and wages in corporate sector, %YoY



At the same time, gradual increase of employment is not accompanied by rising wages pressure. Deceleration in pace of wage growth (from 3.5%YoY in July) to some extent might have been due to shifts in bonus payments in some companies, but it is hard to measure this effect accurately. In July-August period, the average pace of wage growth reached ca. 2.8%YoY vs. 2.1%YoY in 1H2013. Definitely, it is hard to find any threat of second-round effects in this data (while the first-round effects are not too big, anyway). Still, the data is not weak enough to change our expectations of gradual improvement in private consumption growth in 2H2013.

From the monetary policy point of view, situation on the labour market does not threaten the scenario of stable NBP interest rates for the next few quarters (in our view until mid-2014).

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