Bank Zachodni WBK

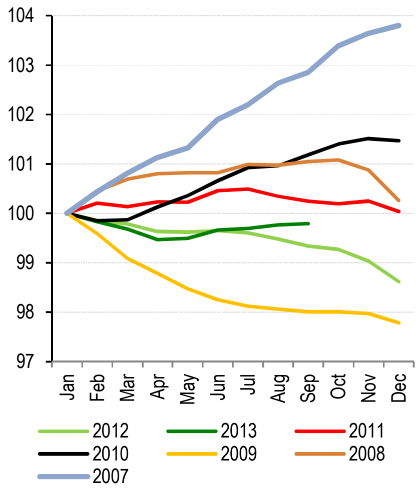
Instant comment

Labour market data still optimistic

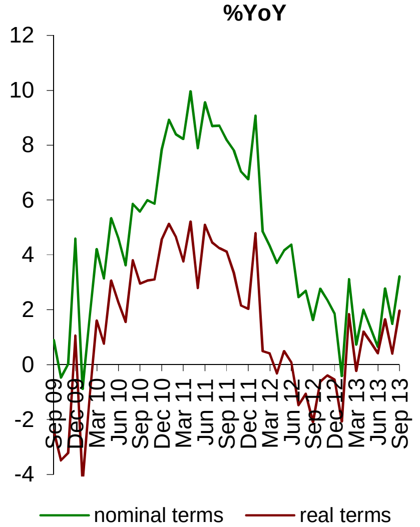
16 October 2013

Situation in the labour market keeps improving – average employment increased for the fifth straight month in September, and its annual rate improved to -0.3%YoY (best result since November 2012); wage growth accelerated to 3.6%YoY, more than expected. This supports our expectations that consumption growth should be accelerating, and also allows to expect some rebound in investment growth. Core inflation fell in September, but in the medium run we expect it to grow moderately, along with the CPI. The data did not trigger any market reaction and we believe they are unlikely to change the assessment of economic outlook by the MPC in the near term.

Employment in enterprise sector (Jan=100)



Wage bill in corporate sector, %YoY



Employment and wages higher

Average employment in corporate sector amounted to 5495.1k in September and was by over 1k higher than one month ago. Annual growth rate of employment remained below zero, but the pace of decline shrank to -0.3%YoY (in line with our forecast and market consensus), which is the best result since November 2012. These figures confirm that demand for labour is increasing – since April the number of workplaces in the corporate sector is slowly, yet steadily growing, despite still early phase of economic recovery. It seems that companies, faced with accelerating inflow of new orders (mainly from abroad) and rising capacity utilization (as shown be the newest NBP report on business climate), are deciding to scale up their operation. One can assume that higher investment outlays should follow. Data on investment are available with a significant lag, but this tendency is shown – among others – by rising companies' interest in investment loans, visible in data from the banking sector. This is supporting our expectations that in H2 exports will be joined by domestic demand as a major growth driver.

Average wage growth in corporate sector accelerated in September to 3.6%YoY, stronger than expected (our forecast at 3.2%, market consensus at 3.1%). This annual change is clearly higher than recorded in August (2.0%), but close to July's one (3.5%YoY). Strong volatility of this data observed in recent months originates (similarly like in case of the industrial output), among others, from different number of working days as compared to the previous year. Overall, the pace of growth of wages remains moderate (average for June-September period at ca. 2.6%YoY), but is higher than inflation. This means that real wages at disposal of the households has been rising and this supports our forecast of strengthening of the private consumption in H2.

Core inflation lower

Core inflation after excluding food and energy prices declined to 1.3%YoY from 1.4%YoY in August (in line with our estimate after the yesterday's CPI data). Core inflation declined due to lower fees for kindergartens and weaker increase of prices after the end of seasonal discounts of clothing. Remaining measures of the core CPI followed the main index and also declined slightly

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