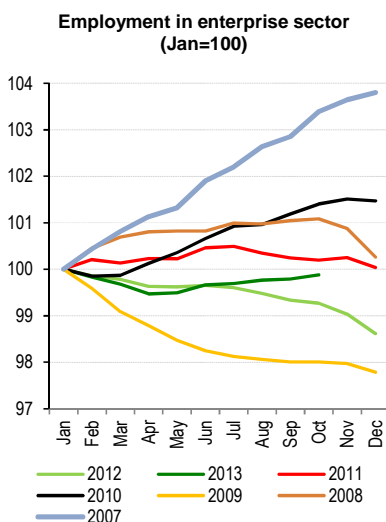


INSTANT COMMENT

19 November 2013

Labour market getting better and better

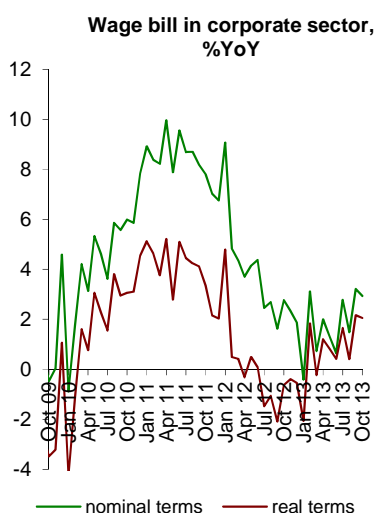
Employment in the corporate sector increased in monthly terms sixth month in a row in October and its annual pace of growth at -0.2% was better than we anticipated (this was probably the last month with sub-zero YoY change). Wage growth also surprised to the upside (3.1%YoY). Improvement on the labour market supports gradual revival of consumption demand and this should be confirmed already in Q3 GDP data (release next week). We expect continuation of those positive tendencies in coming quarters.



Annual change of employment in the corporate sector inched up in October to -0.2% from -0.3%YoY in September (in line with market consensus and slightly above our estimate) after a monthly increase of employed by 5k. Such good result was probably partially due to favourable weather conditions in October, that sustained seasonal jobs (for example in construction). On the other hand, employment has increased for already 6th month in a row, so we may say that this is not a temporary phenomenon but rather a firm trend – since April 23k workplaces were added in the enterprise sector, while in the same period of 2012 there was a reduction by 20k (see chart). Additionally, companies are reporting rising demand for labour amid inflow of new domestic and foreign orders. Thus, these positive trends are expected to strengthen in coming quarters.

Average wages in the corporate sector increased by 3.1%YoY in October, slightly more than our and market expectations (2.8% and 2.9%, respectively). Real growth of wages stays at moderate level (2.3%YoY), which is supporting private consumption growth, while not generating excessive increase of labour costs for companies. Wage bill in corporate sector increased in October by 2.9%YoY in nominal terms and by 2.1%YoY in real terms. This is slightly weaker growth than in September, but still, a substantial improvement has been recorded in this area since the beginning of the year.

We expect that wage growth in enterprise sector will remain between 3-4%YoY in next quarters. It is worthwhile noticing that a wage increase in total economy in the recent period is clearly overtaking the rise in corporate sector – in 3Q total wages climbed by 4%YoY, while in corporate sector by 2.6%YoY. It clearly supports our forecast of private consumption revival.



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