INSTANT COMMENT

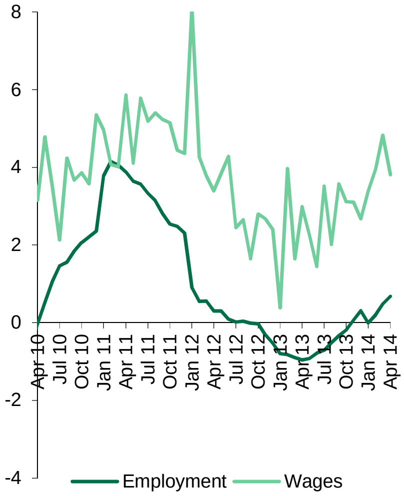
19 May 2014

Moderate wage pressure

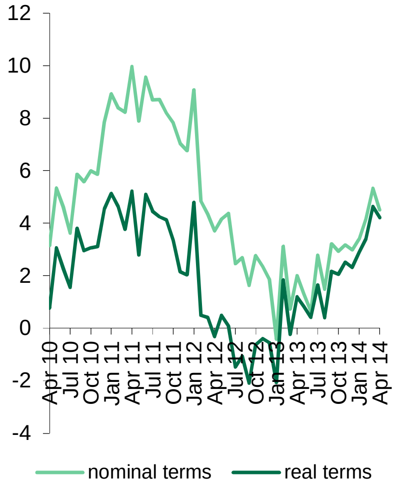
In April employment in corporate sector increased by 0.7%YoY and wages advanced by 3.8%YoY. These numbers were below our and market forecasts, but they show that positive labour market tendencies are continued. Real wage bill growth is still high as compared with previous months, which should support the recovery of consumer demand in the upcoming months, in our view.

Today's data are neutral from the monetary policy point of view. We maintain our scenario that the MPC will extend the forward guidance until the end of the year in July. Given the recent Polish macro data and expectations for more ECB easing we think that NBP interest rates may remain stable even until mid-2015. Today's data did not have any impact on the market.

Employment and wages in corporate sector, %YoY



Wage bill in corporate sector, %YoY



Pace of growth of average employment accelerated in April to 0.7%YoY from 0.5%YoY. The increase proved slightly weaker than we and the market expected (0.8%YoY). 37k of workplaces have been added on an annual basis, this is the best result since the beginning of 2012. On monthly basis, employment declined by 1k but still this was the best April since 2011. At the same time, annual pace of wages growth decelerated more than we assumed. Wages increased by 3.8%YoY last month (-1%MoM) vs. 4.8%YoY in March and our forecast at 4.3%YoY. However, wages continue to perform strong at the beginning of Q2 – April's growth is only slightly below the Q1 average at 4.1%YoY.

Taking into account April's employment and wage data in enterprise sector, wage bill grew by 4.5%YoY in nominal terms (after increasing by 5.3%YoY in previous month) and by 4.2%YoY in real terms (vs growth by 4.6%YoY in March).

Today's labour market data confirm a continuation of gradual labour market improvement amid moderate upward pressure on wages. These tendencies should be continued in the following months, when employment growth will accelerate to 1%YoY (supported also by low base from 2013) and wages will increase by c6%YoY, in our view. Labour market improvement accompanied by low inflation will be conducive to a gradual improvement of private consumption growth in the upcoming months.

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