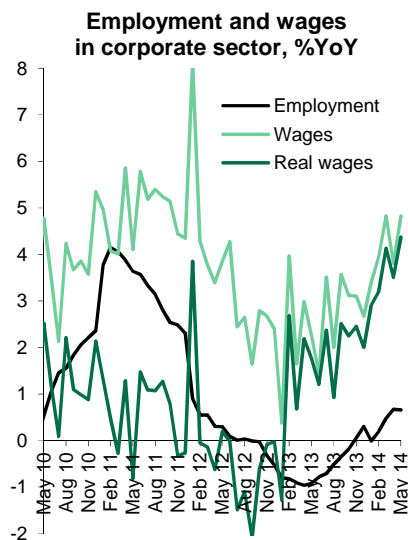


INSTANT COMMENT

17 June 2014

Higher wage growth supporting higher consumption

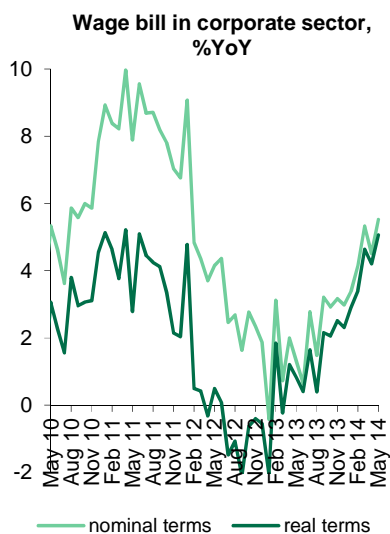
Wage growth in corporate sector accelerated in May to 4.8%YoY, above market expectations, while employment growth remained at 0.7%YoY, in line with expectations. Real growth of households' disposable income is at the highest level for many years and this is supporting a further recovery of consumption demand and, in longer horizon, probably also revival of price growth.



Average employment in corporate sector amounted to 5.515mn in May, i.e. almost unchanged versus April. Annual employment growth remained at 0.7%YoY for a second month in a row, in line with expectations. At the same time, average wage growth accelerated to 4.8%YoY in May, the highest level since January 2012. This result was very close to our forecast (4.7%YoY), but visibly above market consensus (4.3%YoY).

Accelerating wage growth, combined with very low inflation and a slight increase in employment implies a considerable increase of households' labour income. Real wage growth amounted to 4.4%YoY in May, the highest level since October 2008. Real growth of wage bill in corporate sector surged 5.1%YoY, the most since June 2011. Such a growth rate of households' disposable income should support further recovery of consumer demand in the upcoming quarters. This will be supportive for a gradual rise in consumer prices in a longer perspective.

At the same time, it is worth to notice that employment data show that upward trend in the number of jobs – observed in the past months – has faded somewhat. Our forecasts assume that demand for labour should accelerate slightly later in the year, among others, due to revival in investment growth. However, it is worth to screen this data in the following months, because if employment does not start to rise again, then this may indicate weakening of pace of the economic recovery.



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