

INSTANT COMMENT

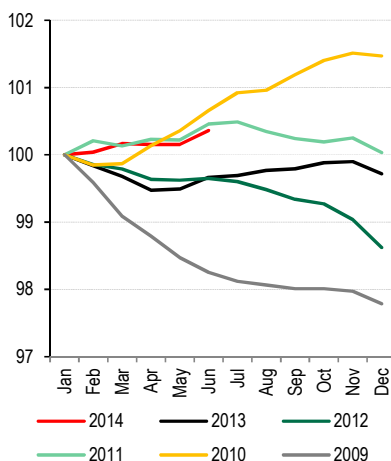
16 July 2014

Employment in line with expectations, wage growth slowed down

Employment in the corporate sector climbed in June by 0.7%YoY, in line with our and market expectations. Meanwhile, wage growth in the corporate sector decelerated in June to 3.5%YoY from 4.8%YoY in May, and was lower than expected: the reading was below the lowest market forecast (according to the Parkiet daily). In our view, this is only a temporary slowdown, possibly due to delays in bonus payments. It seems that the pace of improvement on the labour market began to wane, but it remains strong enough to support the private consumption at the turn of Q2 and Q3.

Core inflation excluding food and energy prices increased in June to 1.0%YoY from 0.8%YoY. Other core inflation gauges were quite stable, still suggesting no rising pressure on prices.

Employment in corporate sector
(Jan=100)



Employment in line with expectations, wage growth faded

Employment in the corporate sector increased in June by 0.7%YoY, in line with our and market forecasts. Pace of employment growth remains at stable for already third month in a row and this indicates that pace of revival in the labour market stopped accelerating. However, it is worth to remind that demand for labour started to recover roughly one year ago, so the annual pace of growth is negatively influenced by the base effect. We expect the pace of employment growth to remain below 1%YoY until the end of the year but it should not decline, being supported by rising foreign orders (mainly from the euro zone) as well as higher investment activity.

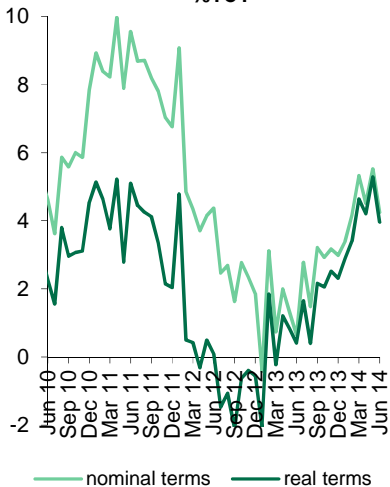
Wage growth decelerated in June to 3.5%YoY from 4.8%YoY in May, much more than expected – the number was even below the lowest forecast in the Parkiet daily survey. However, it is worth to remember that June is not an ordinary month – many companies pay semi-annual or quarterly bonuses and only slight delay in the time of payment may trigger high volatility of the average wage growth. If this was the case in June, then a rebound should be recorded in July. In the entire 2Q14 wages increased by c4%YoY, similarly as in 1Q. In our opinion, 2H should bring faster wages growth.

Decline in pace of wage growth and slight inflation rise caused that real growth of wage bill fell in June to 4%YoY, down from 5.3%YoY in May. As we mentioned above, we think that slowdown should be only temporary. Still, in our opinion, wage bill growth is strong enough to support private consumption in turn of 2Q and 3Q.

Inflation CPI excluding food and energy prices slightly up

Core inflation after excluding food and energy prices increased in June to 1.0%YoY, up from 0.8%YoY in previous month. It mainly came from introduction of new tariffs in cellular networks. Other core inflation measures were more or less stable, showing lack of inflation pressure.

Wage bill in corporate sector,
%YoY



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