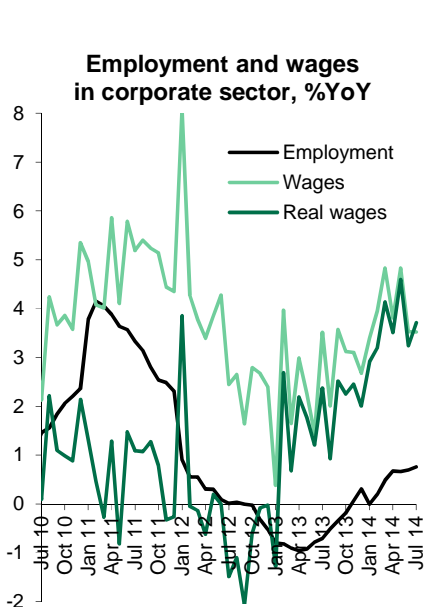


INSTANT COMMENT

19 August 2014

Moderate growth of employment and wages

Pace of employment growth accelerated in July to 0.8%YoY, in line with expectations, while pace of wage growth stabilised at 3.5%YoY, slightly below consensus. Situation in the labour market continues to improve gradually, strengthening the purchasing power of households amid very low inflation. As a result, the private consumption may grow moderately by c3%YoY in 3Q, being a stabilizer of economic growth. However, this does not change our assessment that GDP growth may slow down in the second half of this year due to deterioration of outlook for the external demand.



Average employment in corporate sector grew by 5000 people in July (0.1%MoM and 0.8%YoY, which is in line with expectations). Despite signs of economic slowdown in Poland and abroad, Polish companies are still gradually increasing demand for new employees, which is quite optimistic information and probably reflects the fact of gradually growing investment outlays (investments in expanding capacity cause increase of employment). Obviously, if in upcoming months economic situation in foreign markets worsens enough to exacerbate Polish exporters' results, this positive trend can be stopped. We assume, however, that a sustainable, moderate growth of employment will continue in upcoming quarters, supported by further growth of public and private investments. Data from banking sector do not show any signs of weakening enterprises' demand for investment loans.

At the same time, pace of wage growth was slower than expected and reached 3.5%YoY, just like in June, vs. our forecasts at 4.0%YoY and market consensus at 3.8%YoY. Apparently, the uncertainty regarding the economic outlook and exceptionally low inflation constraints the companies' willingness to raise wages. Nevertheless, very low inflation supports growth of the real purchasing power. Wage bill increased in July by 4.5%YoY in real terms – the same pace as in March-June on average. This should support private consumption in 3Q and make it grow moderately by c3%YoY. Rising consumption and investments should stabilize in our view the pace of economic growth amid more uncertain outlook for exports.

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