

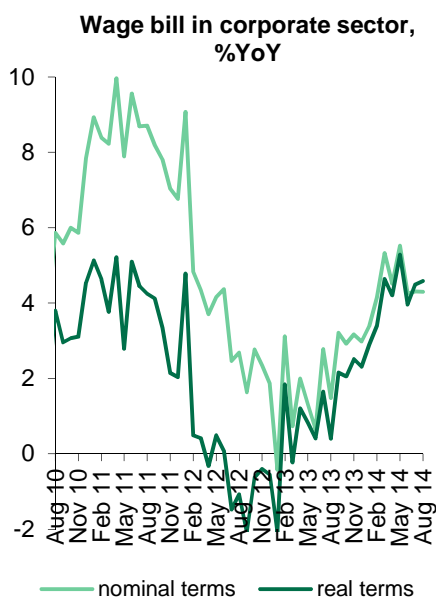
# INSTANT COMMENT

16 September 2014

## Wage pressure stays subdued

Average wages grew by 3.5% YoY and employment by 0.7% YoY in the corporate sector in August in Poland. Both numbers were below expectations. Data indicate a stabilization in the labour market after a very good start of the year. In real terms, wage bill increased slightly. We do not expect any significant changes in the labour market in the coming months. Employment growth is expected to remain stable, in our view, due to the high base effect in 2013 while wages should grow moderately by 3% on average.

In line with our estimate after the yesterday's CPI data, core inflation after excluding food and energy prices reached 0.5% YoY, slight acceleration vs. June. Other core inflation measures dropped slightly. Today's data back supporters of a rate cuts in Poland. We continue to expect 75bps total rate cut in 4Q.



### Employment decelerates gradually, wages stabilize

In August the employment in the corporate sector reached 5534.6k, +0.1% MoM and +0.7% YoY. In nominal terms, number of workplaces increased by 3.5k, less than in 2013 in the respective month (4.3k) and less than in July this year (5k). Deteriorating economic outlook – we expect slower GDP growth in 2H due to mainly weaker external demand – may lead to deceleration of rising employment trend. Additional constrain may be the high base effect from 2H13.

Average wages increased in the corporate sector by 3.5% YoY (after a 1.8% MoM drop) and this was weaker result than we and the market expected (4.0 and 3.8%, respectively). August was a third consecutive month when wages were growing by 3.5% YoY. The uncertainty regarding the economic developments and exceptionally low inflation reduces the willingness to rise salaries. On the other hand, falling prices increase real purchasing power significantly. The real wage bill surged in August by 4.6% YoY – slightly more than in the previous month and more than in January-July period on average (4.1% YoY). In our view, this should support private consumption growth at c3% YoY in 3Q.

### Core inflation measures in line with expectations

In August core inflation excluding food and energy prices increased to 0.5% YoY from 0.4% YoY in the previous month. Other core inflation measures decreased slightly (by 1bps as compared with July 2014). Core inflation excluding administrative prices reached -0.5% YoY. Core inflation measures clearly confirm lack of any inflation pressure.

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