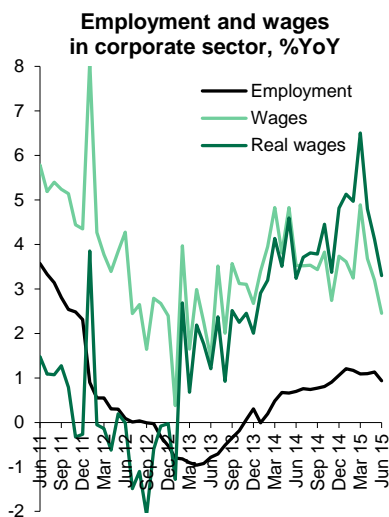


INSTANT COMMENT

16 July 2015

Disappointing data from the labour market

Polish June labour market numbers disappointed. Pace of employment growth decelerated to 0.9% YoY from 1.1% YoY seen in May (vs. consensus at 1.1% YoY) while wages grew only 2.5% YoY vs. 3.2% YoY a month ago (market expected 4.1% YoY). Employment in the corporate sector rose in June by merely 600 and this was the weakest increase seen in that month since 2009. In our view, this could have been due to the drying up supply of the qualified labour force (the number of job offers surged in the recent months and in June was the highest since 2001!). We estimate that the employment growth may slow down in the months to come. Slowdown in wages may be due to shift of bonus payments in mining and this effect may have deducted as much as 0.8 percentage point from the result of the whole companies sector. If indeed this was true, it would mean that the slowdown in wages is only temporary.



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Employment in the corporate sector rose in June by merely 600 and this was the weakest increase seen in that month since 2009. We expected a slowdown this year due to the drying up supply of the qualified labour force but it seems that this process has started to materialize earlier than we have assumed. At the same time, according to the Labour Ministry, the number of job offers surged in the recent months and in June was the highest since 2001. Detailed data on employment will be released in the Statistical Bulletin and only then we will be able to say whether the slowdown in employment was recorded only in a single sector, or this is a broader trend. In our view, the pace of employment growth in the corporate sector could decelerate further in the months to come.

The slowdown in wage growth is very surprising for us and for the whole market: June's result is below the lowest forecast in the poll (3.4%YoY). We expected a rebound in wage growth due to the number of working days (in May the number of working days was lower than in previous year, while in June higher), but it seems that we overestimated the strength of this effect. It is possible that the mining enterprises strongly weighed on the total result of the corporate sector - one of the largest companies in that industry, KGHM, shifted the payment of the annual bonus from June to April. According to our estimates, this effect could have even decreased the wages growth in the entire sector by 0.8 percentage points. If indeed this was true, it would mean that the slowdown in wages is only temporary. However, also in this case we can say more after analyzing the data from the Statistical Bulletin.

The real growth rate of wage bill in the corporate sector declined in June to 4.3%YoY from 5.3%YoY in May. In entire Q2 the growth rate was equal to 5.2%YoY as compared to 6.8%YoY in Q1.

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