

INSTANT COMMENT

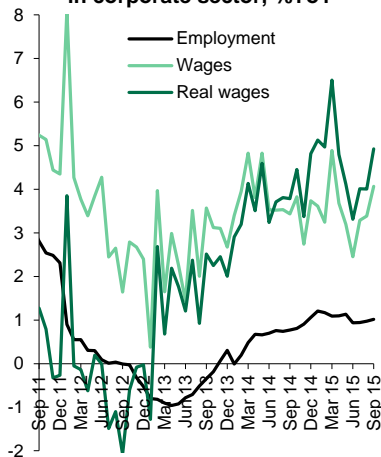
16 October 2015

Wage growth accelerating

Average employment in the corporate sector rose 1.0% YoY in September, in line with expectations, while the average wage growth accelerated to 4.1% YoY, well above the forecasts. The total wage bill rose 6% YoY in constant prices. Persistently strong demand for workers amid diminishing stock of available employees should lead to higher wage pressure and this in turn is likely to keep private consumption strong (supporting the GDP) and push inflation up in the coming quarters.

All measures of the core inflation fell in September. CPI excluding food and energy prices decreased to 0.2% YoY, its lowest since June. However, we still expect inflation to rise in the coming months.

Employment and wages in corporate sector, %YoY



Employment rises, and so does the wage pressure

Labour market data surprised to the upside again as they showed higher than expected wages growth at 4.1% YoY for September (the highest since March) vs. our forecast at 3.3% and market median forecast at 3.4%. Wages in constant prices rose 4.9%. At the same time, employment growth reached 1% YoY, just like in August and in line with expectations. Compared to the previous month, number of workplaces rose by 5.1k.

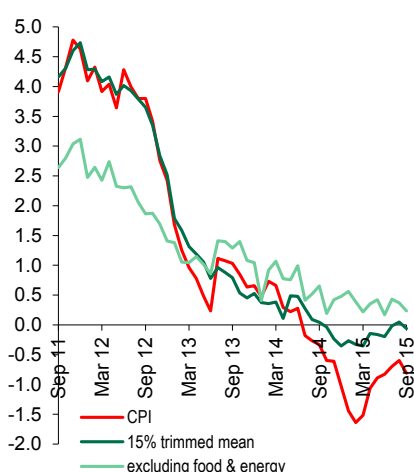
The total wage bill in the corporate sector rose 5.1% YoY in current prices and 6% in constant prices (also the highest growth since March). In our view, accelerating wages will keep consumption demand high. At the same time, continuation of employment growth will lead to stronger wage pressure as the stock of potential employees is diminishing and the unemployment rate is already approaching record lows. We think this will be one of factors pushing inflation up in 2016.

In September core inflation measures inched down

September brought a decline in all core inflation measures. CPI inflation after excluding food and energy prices dropped to 0.2% YoY (down from 0.4% YoY in previous month), the lowest level since June. The 15% trimmed mean inflation again fell below zero, while deflation in other core measures deepened gradually.

We expect that decline in core inflation measures will be only short-lived and they will return to gradual upward trend in upcoming months, due to extremely low base effect and favourable situation on the domestic labour market. We expect CPI inflation net of food and energy prices to increase to c+0.6% YoY in December and to continue a gradual increase in 2016 towards 1.5% YoY, the lower boundary of NBP's inflation target (+2.5% YoY +/-1pp).

CPI and core inflation, %YoY



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