

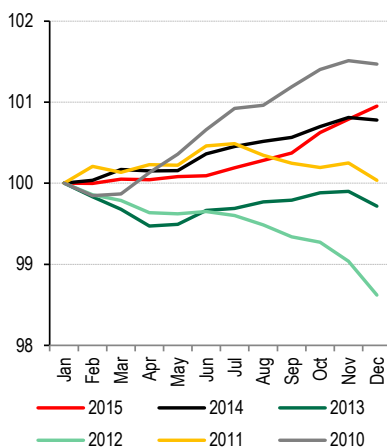
INSTANT COMMENT

20 January 2016

Strong employment growth at the end of 2015

Employment growth in corporate sector accelerated in December to 1.4%YoY, its highest since December 2011, which was a big positive surprise. Market consensus was at 1.2%YoY and it was the first time since 2007 when the average number of jobs in December was higher than in November. In our view it reflects the strength of the underlying trend of investment growth, which is a very good news for 4Q15 GDP growth forecast. Average wage growth disappointed slightly, decelerating to 3.1%YoY in December, which shows that high labour demand has not been triggering a strengthening of wage pressure yet. However this is going to change in our view, as the unemployment rate is falling towards its record low and companies are facing growing problems with finding skilled workers. We expect consumption growth to remain stable in 4Q15 and even accelerate in the following quarters, as households will benefit not only from rising labour income, but also from government's 500+ programme, which is supposed to be launched in May.

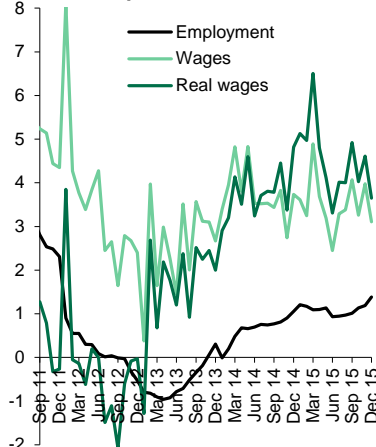
Employment in corporate sector
(Jan=100)



Average employment in the enterprise sector increased in December by 0.2% MoM and 1.4% YoY, which is significantly stronger than expected (our forecast and market consensus assumed stabilization of the annual growth rate at 1.2%). It was the first time since the period of economic boom in 2006-2007, when the average number of jobs in December was higher than in November. In our opinion, it reflects the fact that positive trends on the Polish labour market intensified and a demand for employees strengthened at the end of last year. It is possible that this stemmed from further improvement in investment demand in the private sector (growth of employment and investment are strongly positively correlated). If it was the case, it would be a strong positive signal for the economic growth forecasts for the last quarter of 2015.

Situation in the labour market is at the same time highly supportive for the private consumption. Although the wage growth in December disappointed (deceleration to 3.1% YoY from 4% YoY in November vs. market consensus at 3.6% YoY), we think the number might have been distorted by the struggling mining industry. In the whole 4Q wages grew on average 3.4% YoY in nominal terms and 4.1% YoY in real terms (vs. 3.6% and 4.4% in 3Q, respectively). We think that wage pressure in the corporate sector could strengthen in the months to come because the unemployment rate is already close to its all-time lows and probably close to the level of structural unemployment. In such situation, continuation of strong demand for labour will lead to higher tensions in the market. Deflation and raising inflow of immigrants from Ukraine are limiting the scale of wage increase but we still expect the real wages growth to accelerate in the coming quarters.

Employment and wages
in corporate sector, %YoY



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