

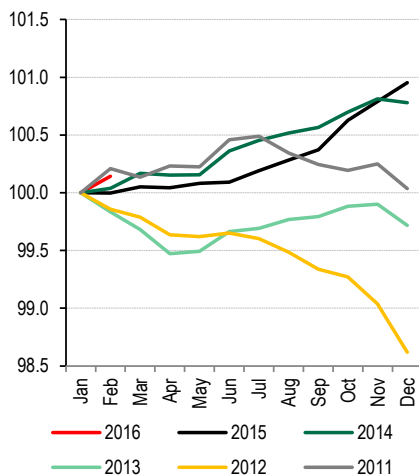
# INSTANT COMMENT

16 March 2016

## Labour market still strong, core deflation

Employment growth accelerated in February to 2.5% y/y (we and the market expected 2.4% y/y), wage growth decelerated to 3.9% y/y (in line with the consensus and below our forecast at 4.3% y/y), while core inflation ex food and energy prices amounted to -0.1% y/y in January and February. In monthly terms, employment rose by 8.2k making this February the strongest one since 2011. February's labour market data show that at the start of 2016 the demand for labour was still strong and wage pressure moderate. The positive labour market situation will be favourable for the private consumption, which will be the main growth driver in 2016. Core inflation indicators suggest a lack of inflationary pressure at the start of 2016.

Employment in corporate sector  
(Jan=100)



### Labour market strong at the start of the year

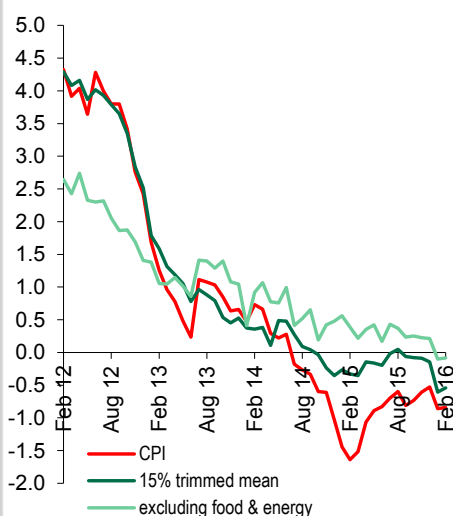
Growth rate of employment in the corporate sector accelerated to 2.5% y/y in February vs 2.3% y/y in January (we and the market expected 2.4% y/y). In monthly terms, employment rose by 8.2k making this February the strongest one since 2011. Wage growth decelerated to 3.9% y/y in February from 4.0% y/y in January (in line with the consensus and below our forecast at 4.3% y/y). Real wage bill in the corporate sector expanded by 7.4% y/y in January and February.

February's labour market data show that at the start of 2016 the demand for labour was still strong and wage pressure moderate. The positive labour market situation will be favourable for the private consumption, which will be the main growth driver in 2016, also thanks to the 500+ child benefit program. We are expecting that in a couple of quarters' time the employment growth will slow down and wage pressure will rise due to drying up labour supply.

### Core deflation

In January and February all measures of core inflation fell below zero that this was the first such a case since the comparable data are available (2001). Core inflation excluding food and energy prices fell to -0.1% y/y in January and February (below zero for the first time since 2006), inflation excluding the most volatile prices reached -0.4% y/y, 15% trimmed mean eased to -0.6% YoY in February (its all-time low) from -0.5% y/y in January while inflation excluding administrative prices fell to -1.0% y/y in February from -0.9% y/y a month earlier. Drop in core CPI was partly due to change of weights in the CPI index but even despite this effect the data show that inflation pressure has not strengthened at the beginning of the year. We expect core CPI to rise gradually in the months to come up to 0.5% y/y at the year-end.

CPI and core inflation, %YoY



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