

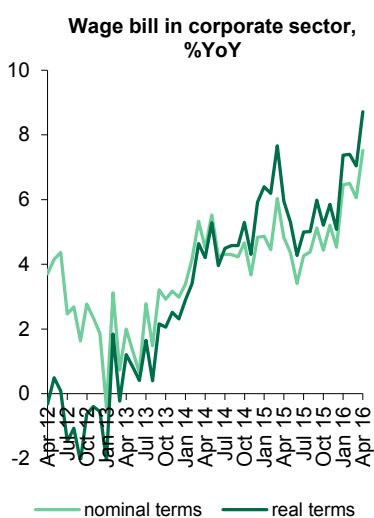
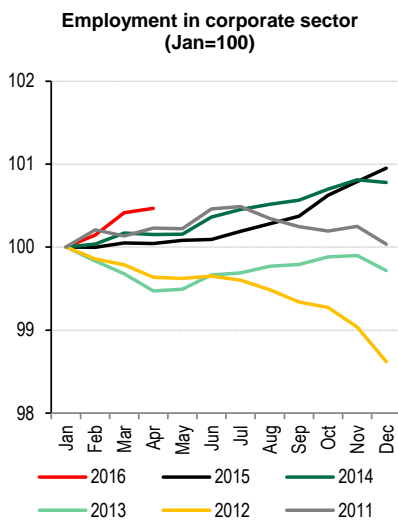
INSTANT COMMENT

18 May 2016

Labour market shows no signs of slowdown

Data from the Polish labour market showed continuation of positive trends in April – strong employment growth (2.8% y/y, highest since late 2011), and clear acceleration of wage growth (to 4.6% y/y, much above consensus). Solid data decrease worries that the disappointing GDP growth data for 1Q16 (slowdown to 3.0% y/y) was a harbinger of more persistent slowdown. We expect GDP growth to be notably above 3% y/y in the nearest quarters, supported mainly by private consumption and exports.

Data about economic activity are now key for monetary policy outlook in Poland. Strong labour market readings may trim market speculation about possible rate cuts (that have revived after weak 1Q16 GDP). If tomorrow's data on industrial production and retail sales for April will be close to our forecasts (and above market consensus), those expectations may weaken even further.



Average employment in corporate sector rose by 0.1% m/m and 2.8% y/y in April, in line with our forecasts. It was the fastest annual gain since late 2011. The fact that companies' demand for new workers remains strong suggests, in our view, that the underlying economic growth remains decent, and decreases worries that the disappointing GDP growth in 1Q16 (slowdown to 3.0% y/y) was a harbinger of a more persistent slowdown in Poland. If the private sector keeps hiring people, it is most likely still investing in growing its capacity.

Average wage growth in corporate sector accelerated in April to 4.6% y/y from 3.3% y/y in March, and was clearly above expectations (our forecast 3.7% y/y, market consensus 3.8%). The sector-by-sector breakdown is not yet known, however we think it was probably a reflection of a broad-based trend of salary increases, not a one-off in one or two sectors. We expect the solid wage growth to continue in the coming months, due to deepening shortage of available workforce (the problem, which may be even alleviated by the '500+' programme of cash subsidies for families with children, which may deactivate part of the working population).

We expect Poland's GDP growth to be notably above 3% y/y in the nearest quarters, supported mainly by exports and private consumption. The latter will be boosted not only by strong growth in labour income (wage bill in corporate sector rose in April by 8.7% y/y in constant prices, which is its biggest gain since late 2008!), but also by child benefits payments from programme '500+', which have just started. Even if not much more than half of this money will be spent on consumption, it may lift private consumption growth from c.3% y/y at the start of the year to nearly 5% y/y in 4Q16, according to our estimates.

Data about economic activity are key for monetary policy outlook in Poland. Strong labour market readings may trim market speculation about possible rate cuts (that have revived after weak 1Q16 GDP). If tomorrow's data on industrial production and retail sales for April will be close to our forecasts (and above market consensus), those expectations may weaken even further.

ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854, Warszawa fax +48 22 586 83 40

email: ekonomia@bzwbk.pl Web site: <http://www.bzwbk.pl>

Maciej Reluga (Chief Economist) +48 22 534 18 88

Piotr Bielski +48 22 534 18 87

Agnieszka Decewicz +48 22 534 18 86

Marcin Luziński +48 22 534 18 85

Marcin Sulewski +48 22 534 18 84

TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

This publication has been prepared by Bank Zachodni WBK S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication. Additional information is available on request. Please contact Bank Zachodni WBK S.A. Rates Area, Economic Analysis Department, al. Jana Pawła II 17, 00-854, Warsaw, Poland, phone +48 22 534 18 88, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>.