

INSTANT COMMENT

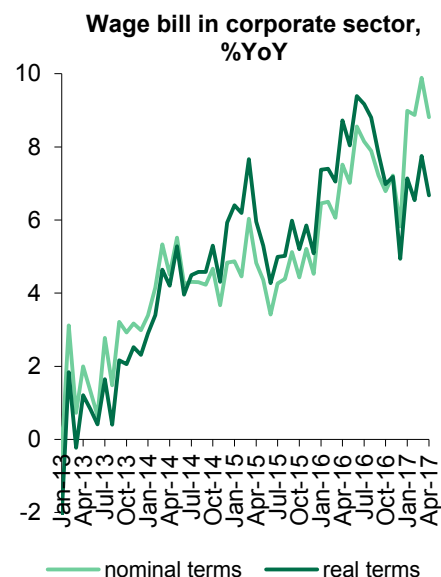
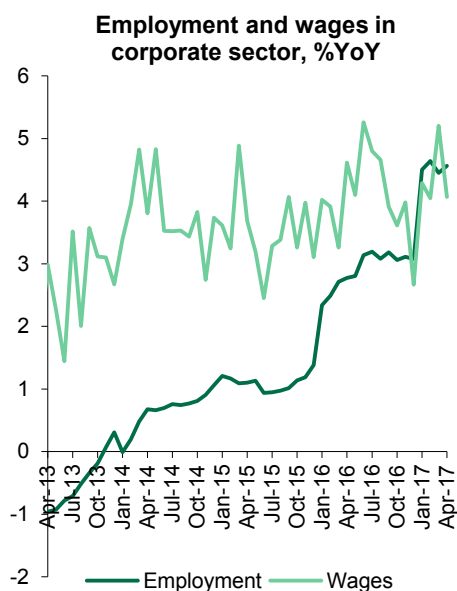
18 May 2017

Big monthly increase in employment, wage growth softened in April

April saw an acceleration of employment growth in the corporate sector from 4.5% to 4.6% y/y. The market was expecting a stabilisation at 4.5% y/y, just like we did. Wage growth surprised to the downside, and went down to 4.1% y/y from 5.2% y/y as compared to market consensus and our forecast at 4.4% y/y. This weaker reading comes one month after a big positive surprise in March and seems to confirm our view that the last month was affected by shifts in bonus payments and by a positive working day effect. Average wage growth in 2016 amounted to 4.1% y/y, so the April's return to that level is not a significant signal. In our view, a similar growth rate can be witnessed for the better part of the year, but later the constraints of the labour supply may come to the fore.

What draws attention about monthly data of the Statistics Office on the job market is the considerable month-to-month employment growth of 9.4k. It is the strongest April in this respect since 2010. High labour demand will persist, taking into account the good business climate confirmed by the robust flash 1Q GDP reading (4% y/y). Labour force reserves are limited and supposedly to run out in the quarters to come. The problems with the availability of labour should be expressed in slowdown in employment and rising wage pressure. Private consumption may remain strong - today's data reinforce this view and help to see the whole year in terms of economic growth at around 4%. In spite of the reversal of April wage growth, the real wage fund, calculated on the basis of the Stat Office data, is still growing at a rate of 8.8% y/y, which is higher than in any of the months of 2016, although it is the weakest so far in the current year.

This data do not undermine yesterday's MPC rhetoric – NBP Governor Adam Glapiński said that there seem to be no imbalances on the labour market. At the same time, he emphasized the high importance of the inflow of workers from Ukraine to prevent labour shortages.



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