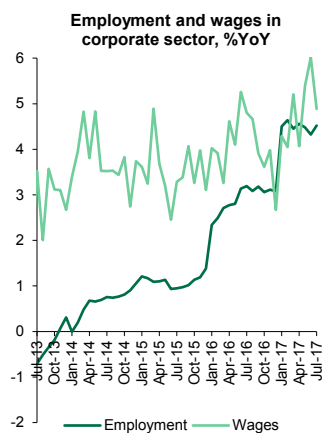


# INSTANT COMMENT

17 August 2017

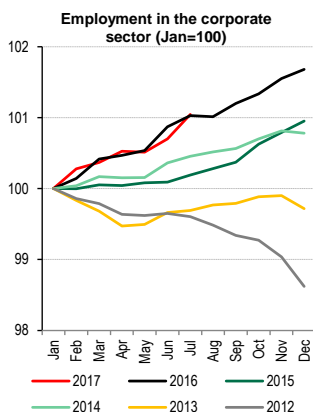
## Employment back at 4.5% y/y

Employment in corporate sector showed the largest monthly rise since the economic downturn in 2009 (if we omit January readings, which are distorted by technical factors). This comes as a surprise in times of very tight labour market when many firms claim it is hard to get an employee. Employment growth is back at 4.5% y/y, beating consensus that was expecting it to stay at 4.3%. Wage growth in corporate sector decelerated to 4.9% y/y, while the market expected it to move from 6% to 5.4%. The July reading was exactly in line with our forecast and even though it came below market expectations it is in our view not a sign of diminishing wage pressures. We expect wage growth to accelerate in 2H of 2017, possibly above 6% y/y.



In July, wage growth decelerated from 6% y/y to 4.9%, much below consensus, but exactly in line with our 4.9% call. In case of this release it is crucial to understand that the previous reading was artificially elevated by a change in bonus payment pattern in non-coal mining this year. Thus, the factor that boosted the June figure was also responsible for the July slide. Moreover, the working day effect was neutral in July, but positive in June. The miss in wage growth does not mean that the pressure has subsided. We continue to see the labour market as very tight with pressures mitigated partly by inflow of labour force from Ukraine. Looking forward, the tight labour market should continue to put upward pressure on wage growth leading to a 4Q average above 6.0% y/y.

A major surprise was delivered by employment data. At 4.5% y/y enterprise employment beat the 4.3% market median. The growth rate returned to the levels seen in 1H. What is interesting is that in m/m terms this was the strongest July since at least 2009, in fact the strongest monthly rise since the crisis omitting Januaries (which are always distorted by changes in Statistics Office's population of covered companies). We will be able to comment more on this strong growth when the Statistics Office releases detailed data later in the month.



Real wage bill in corporate sector rose 7.8% y/y in July after the record 8.9% pace in June. This is still a stronger growth rate than the 1H 2017 average, despite the mentioned negative base effect in wages. Strong growth of households' incomes will be supportive for private consumption growth in 3Q17.

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### 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>

Piotr Bielski +48 22 534 18 87  
 Marcin Luziński +48 22 534 18 85  
 Grzegorz Ogonek +48 22 534 19 23  
 Konrad Soszyński +48 22 534 18 86  
 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