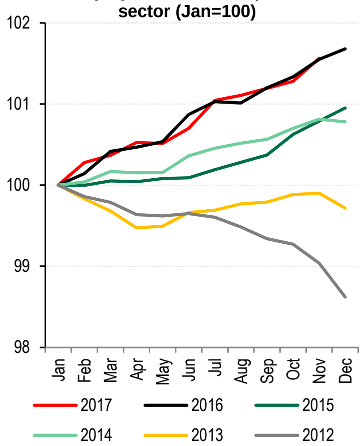
INSTANT COMMENT

18 December 2017

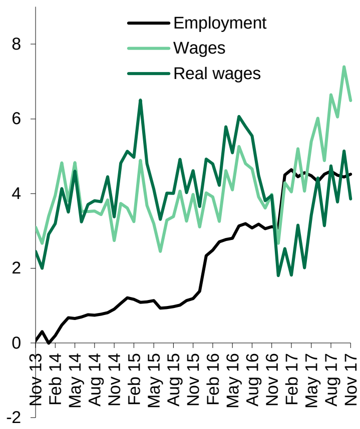
Employment above expectations, wages a bit weaker

Enterprise sector data on wages and employment for November are a mixed bag. Employment surprised on the upside, with y/y growth rising from 4.4% y/y to 4.5% (market expected 4.4%, we 4.3%). The monthly increase of employment was the strongest among all Novembers since comparable data are available (1990!), which is quite striking given the current tight labour market. The wage data came weaker than expected. Wage growth declined from 7.4% y/y to 6.5% y/y (market consensus and our forecast at 7.1% y/y), despite the same scale of the working day effect as in October. Such data correspond to the dovish tone of the last MPC meeting with the governor doubting the labour market situation is as severe (in terms of lack of spare capacity) as the 'soft indicators' suggest. We expect that wage pressure will grow in the coming quarters, leading to acceleration of corporate wages.

Employment in the corporate sector (Jan=100)



Employment and wages in corporate sector, %YoY



Enterprise sector data on wages and employment for November are a mixed bag. Employment surprised on the upside, with y/y growth rising from 4.4% y/y to 4.5% (market expected 4.4%, we 4.3%). The monthly increase of employment (17k) was the strongest among all Novembers since comparable data are available (1990!), which is quite striking given the current tight labour market. A declining pace of growth of employment would be more natural in this environment, but so far the employment growth is as strong as it was in 2016 (see chart).

While some members of the MPC believe there are still some labour force buffers in the economy, we assumed that there needs to be a sharp rise of wage growth first, that would trigger the inactive to look for work. However, the wage data came weaker than expected. Wage growth declined from 7.4% y/y to 6.5% y/y (market consensus and our forecast at 7.1% y/y), despite the same scale of the working day effect as in October. Such data correspond to the dovish tone of the last MPC meeting with the governor doubting the labour market situation is as severe (in terms of lack of spare capacity) as the 'soft indicators' suggest. We expect that wage pressure will grow in the coming quarters, leading to acceleration of corporate wages.

Real wage bill growth rose by 8.5% y/y. Strong rise of households' disposable incomes will be supporting a further robust growth of consumption in 4Q17.

More details explaining the November's surprises will be available with the new Stat Office's Monthly Bulletin, due for release on 22 December 2017.

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