

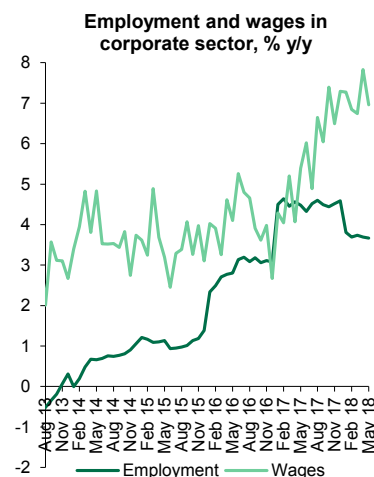
ECONOMIC COMMENT

18 June 2018

Wage growth back to 7% y/y

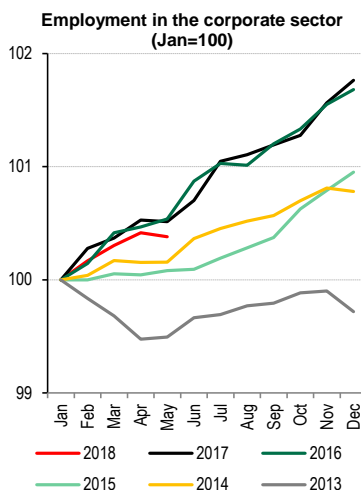
Wages in May decelerated from 7.8% y/y to just 7% while we expected the growth rate to ease only slightly from the previous reading. Market consensus was 7.1% y/y. The slowdown was due to calendar effects. The current state of the labour market, with wide labour shortages, continues to generate pressure on wage hikes, but the process is gradual. Employment growth stayed at 3.7% while we and the market though a rise to 3.8% was possible. In m/m terms this was the weakest May for employment growth since 2009.

Grzegorz Ogonek
tel. 22 534 19 23
grzegorz.ogonek@bzwbk.pl



Wages in May decelerated from 7.8% y/y to just 7% while we expected the growth rate to ease only slightly from the previous reading. Market consensus was 7.1% y/y. Working day differences are responsible for c0.4pp of the slowdown, but we should also make an adjustment for the May holiday period. This year the schedule of week days with national holidays at the beginning of May encouraged people to go on leave for longer. What is more, Corpus Christi, observed in Poland, was in May, unlike a year ago. What also needs to be taken into account is the current state of the labour market, with wide tensions due to labour shortages. The scale of the negative surprise suggests the delays to the translation from wage pressure to actual pay rises are still substantial. We covered one possible explanation of this phenomenon in our economic report from June 7: "[Can Polish companies afford wage hikes and no inflation?](#)". That said we think corporate wage growth could accelerate some more this year, getting to c9% y/y in the final months.

Employment growth stayed at 3.7% while we and the market though a rise to 3.8% was possible. In m/m terms this May, at -0.03% or -2.1k, was the weakest one for employment since 2009. It seems it gets more and more difficult for enterprises to expand by means of rising their headcount, but we are still not in the phase where employment growth comes to a halt. We believe such environment should cause further pressure on higher wages in the economy.



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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 Luźniński +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