

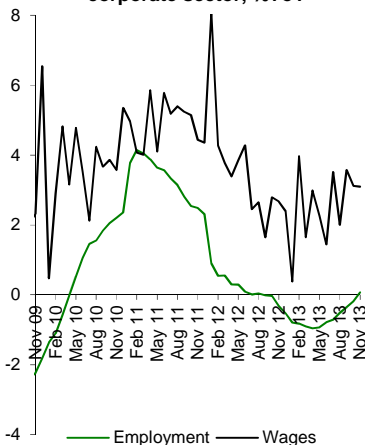
INSTANT COMMENT

17 December 2013

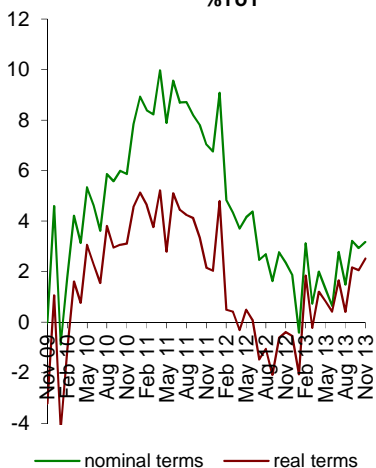
Labour market getting better and better

Wage growth in corporate sector stabilised in November at 3.1%YoY (above forecast), while employment growth increased above zero, as expected, reaching 0.1%YoY. Real wage bill growth increased by 2.5%YoY, at the fastest rate for the last two years. The data confirmed a continuation of gradual improvement of situation in the labour market, which will be supporting a rebound in consumption demand. The data has not trigger any market reaction, as investors are aware that MPC's declaration of keeping interest rates stable at least until the middle of 2014 remains valid.

Employment and wages in corporate sector, %YoY



Wage bill in corporate sector, %YoY



November was the seventh month in a row of gradual increase in employment in enterprise sector. In comparison with October number of work places increased by 1k, less than in previous month, but one should remember that traditionally the end of the year brings a decline in demand for labour due to seasonal effects. Consequently, in line with our expectations and market consensus, annual growth of employment in corporate sector increased above zero (for the first time in over a year), reaching +0.1%. At the same time, growth of wages in enterprise sector exceeded expectations and stabilised at October's 3.1%YoY. Taking into account the shorer worktime (number of working days in November was lower by two than in the same period of 2012), it was a pretty decent result. Total wage bill in corporate sector increased in November by 3.2%YoY in nominal terms and by 2.5%YoY after CPI correction (real terms) – the highest growth for two years. These data confirm that situation on domestic labour market keeps improving, which should support further acceleration of private consumption.

In the following months we expect continuation of these moderately positive tendencies – slight increase of employment and acceleration of wage growth, which will support further recovery of private consumption. These changes will lead to higher growth of unit labour costs and this will be pushing inflation slightly upwards. Faster economic growth driven to a larger extent by domestic demand together with higher inflation and ULC growth will justify an interest rate hike in the autumn of 2014. However, possibly lower inflation path and changes of the MPC members generate risk that first rate hike will be postponed.

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