

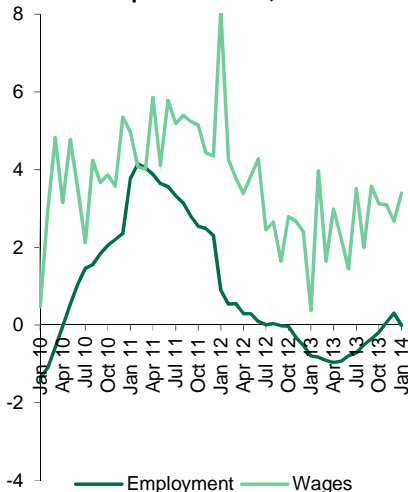
INSTANT COMMENT

18 February 2014

Disappointing data from the labour market

Data on employment in corporate sector clearly disappointed showing an annual pace of growth at 0.0% in January, below even the lowest forecast on the market. Only 15.1k of workplaces were added in January, and this was the lowest increase in January in 10 years. However, in our opinion this deceleration of pace of employment growth was mainly due to the annual change of sample examined by the CSO and is an echo of weak situation on the labour market in the first half of 2013. That is why we perceive this disappointment as a one-off and expect better data in coming months. Pace of wages growth reached 3.4%YoY, roughly in line with market consensus. In our opinion, these data are neutral from the MPC point of view. There was no market reaction to this release.

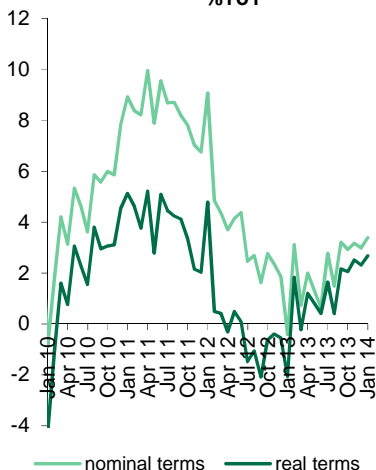
Employment and wages in corporate sector, %YoY



Pace of growth of employment reached 0.0%YoY in January (vs. 0.3%YoY in December), well below market consensus (0.6%YoY) and even the lowest forecast on the market. Only 15.1k of workplaces were added in January, and this was the weakest increase in January in 10 years. The data were clearly disappointing, particularly for us as we anticipated growth at 1.2%YoY.

We would like to recall that corporate sector covers only a part of the labour market, i.e. units employing 10 persons and more. What is more, every January Poland's Statistical Office updates its sample of companies, excluding units, in which employment decreased below the threshold of 10 persons and adding these ones in which employment increased above it in the course of the last year. Worse data mean that trends in employment in bigger companies in whole 2013 were not good as expected. However, it does not mean that demand for workers is weakening – we would like to recall that employment data has showed improvement in number of workers throughout 2H2013. Moreover, statistics on registered unemployment also improved (in January we expect a decline of unemployment rate YoY terms, for the first time since February 2009), while PMI subindex for employment in corporate sector reached in January the highest level in history. We think that negative surprise in employment in corporate sector might result be an echo of the weak situation on labour market in the first half of 2013 and it is rather a one-off effect. Thus, we expect an improvement on the labour market in the upcoming months.

Wage bill in corporate sector, %YoY



Average wages in corporate sector climbed in January by 3.4%YoY, i.e. more or less in line with our (3.1%) and market expectations (3.2%). We are forecasting that wage growth will remain at moderate level until the year-end. Wage bill in corporate sector advanced by 3.4%YoY in nominal terms and by 2.7%YoY in real terms (as compared to 3.0% and 2.3% in December, respectively), so real growth rate of consumers' income is accelerating, which should support the growth of private consumption in the first quarter of the year.

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