

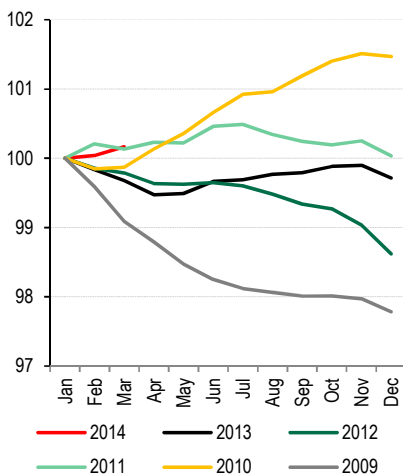
INSTANT COMMENT

16 April 2014

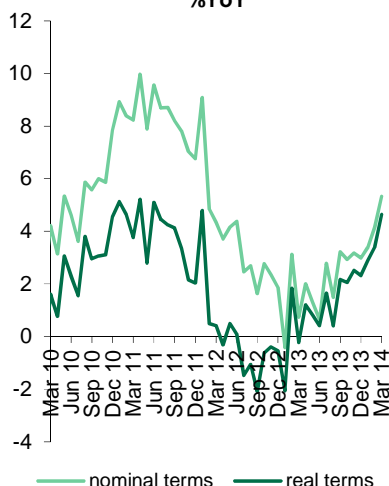
Higher labour income supporting consumption

Growth of average wages and employment in March beat expectations after an acceleration to 4.8%YoY and 0.5%YoY, respectively. Further visible improvement in the labour market reflects positive sentiment among Polish companies and is probably the effect of ongoing investment rebound. Meanwhile, a gradual rise of households' labour income supports the consumption demand. We think that this may influence pace of CPI growth in the medium run and thus inflation may not stay subdued longer than a couple of months. The data shall not push the MPC to take any hasty actions, but it supports our scenario, assuming that circumstances justifying a rate hike may materialize by early 2015.

Employment in corporate sector
(Jan=100)



Wage bill in corporate sector,
%YoY



Wages and employment going up

Average employment in corporate sector amounted to 5.515mn people and was by 0.5% higher than one year ago. At the same time, average wage growth accelerated to 4.8%YoY, which is the highest growth rate since January 2012. Labour market statistics were again significantly better than expected – median of market forecasts was at 0.4% for employment and 3.9%YoY for wages. It seems that Polish companies are growing more confident as regards economic prospects, and thus are more vigorously hiring new employees, gradually offering also higher salaries.

Number of workplaces increased by 7k versus February and this was the best March's result since 2008. We assume that, similarly as in previous months, this was mainly due to rising employment in industrial manufacturing, but we cannot rule out that other sectors are joining, especially these more dependent on domestic demand. Strengthening demand for jobs is probably due to gradual rise of investment activity (this process began already at the end of 2013 – see details below).

Further acceleration of wages in March after a surprisingly good result in February (4.0%YoY) is also optimistic. Every month the flow of labour income to households is growing stronger. Given still low inflation this will enhance households' purchasing power and translate into acceleration of private consumption. This means that growth rate of retail prices can be gradually accelerating in the upcoming quarters.

Domestic demand stronger than net exports in 4Q13

The CSO released updated quarterly GDP data for 2012-2013. GDP growth in the first three quarters of 2012 has been revised up by 0.1pp. 1Q13 has been revised down from 0.5% to 0.4%YoY, while 3Q13 up from 1.9% to 2.0%YoY. Growth in 4Q14 has not changed but its structure was revised quite significantly – domestic demand growth reached 1.8%YoY (versus earlier estimate 1.2%), public consumption growth has been boosted from 2.1% to 3.1%YoY, while investment growth from 1.3% to 2.0%YoY. Imports in 4Q has been increased as well, which changed the contribution of domestic demand and net exports to GDP growth – after the revision the main force driving the economic growth became the domestic demand (it added 1.7pp, while net exports 1.0pp), while in the previous estimate the contribution of net exports was bigger (domestic demand 1.2pp, net exports 1.5pp).

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