INSTANT COMMENT

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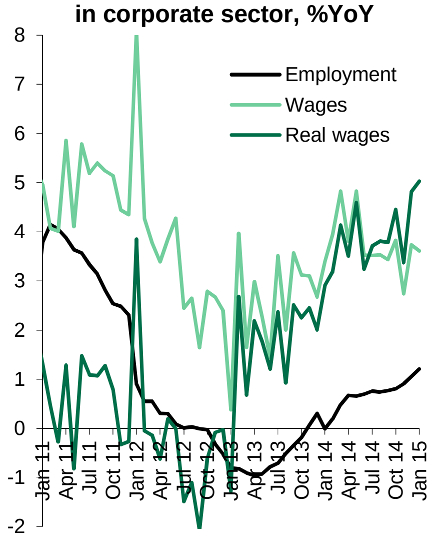
Real wage growth accelerating

Average employment growth in corporate sector accelerated in January to 1.2%YoY, less than expected, while average wages increased 3.6%YoY, above forecasts. The real wage growth reached 5%YoY, which is the fastest pace of increase since early 2009, while real wage bill soared 6.3%YoY, by most since November 2008. We think such data confirm that labour market is still in full swing, which will support robust consumption growth in the coming quarters. We would not worry too much about below-forecast employment growth, as the January's figure is always biased by change in statistical sample of surveyed companies. It remains to wait until February data for more credible hint about underlying trend in employment, but business climate surveys have shown no signals of weakening of demand for labour so far, so we are still quite optimistic on employment outlook. While the data show no threats to consumer demand, we think it will not stop the MPC from cutting interest rates in March, given deepening deflation and monetary easing spree around the world.

Employment and wages in corporate sector, %YoY



Average employment in the corporate sector rose in January by 0.4%MoM and by 1.2%YoY. This was the highest growth rate of employment since December 2013. However, let us remind that January's data on employment are regularly distorted by change in sample of covered companies – the CSO takes into account only companies employing more than 9 people and the surveyed sample is updated only once a year. Thus, annual growth rate of employment usually shows considerable "jumps" in January due to change in the sample, making it more difficult to see the underlying trend in demand for jobs. This time, there was no "jump" versus December, but only a slight acceleration (to 1.2%YoY from 1.1%YoY), suggesting that the number of companies employing more than 9 people did not rise sharply. But we would not draw far-reaching conclusions from this fact. In general, we still see no reasons to worry about the labour market outlook. Business climate surveys have still not shown any signals of deterioration of employment prospects. Labour Force Survey also shows a strong upward trend in the number of employed in recent months. This is probably related to a persistently high growth rate of investment outlays.

Average wages climbed in January by 3.6%YoY, at slightly slower pace than in December (3.7%YoY), but faster than assumed by us and the market consensus (3.3%YoY). We think that maintenance of moderately high wage growth despite deepening deflation and uncertainty about economic situation abroad is a confirmation of strength of positive tendencies in the labour market. Average real wage growth amounted to 5%YoY, the most since early 2009. Total wage bill in the corporate sector increased by 6.3%YoY in real terms. This means that the real purchasing power of consumers is expanding, which allows us to remain fairly optimistic about private consumption outlook for the upcoming quarters.

While the data show no threats to consumer demand, we think it will not stop the MPC from cutting interest rates in March, given deepening deflation and monetary easing spree around the world.

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