

# INSTANT COMMENT

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## Wage growth fades, employment rises gradually

In May pace of wages growth in the corporate sector decelerated to 3.2% YoY from 3.7% YoY in April. In our view, the main culprit of the weaker growth is the negative effect of the number of working days. Meanwhile, employment rose 1.1% YoY, the same pace for the third consecutive month, in line with our forecasts and market consensus. In the short term, we expect a moderate growth in wages and stabilization in employment dynamics. In the medium term, however, we cannot exclude shortages of employees and this could generate an upward pressure on wages. This data was neutral for the market that is currently focused on Greece and the FOMC meeting. Labour market numbers should be also neutral for the MPC that we expect will keep interest rates unchanged until the end of its term.



In May pace of wage growth decelerated to 3.2% YoY (after a 2.9% drop on monthly basis) from 3.7% YoY in previous month, well below our forecast and the market consensus (4.1% YoY and 3.7% YoY, respectively). In our view, this was mainly due to the negative impact of the number of working days – this year in May there was one working day less than a year ago (while in April the working days effect was neutral). Thus, we think that slower wage growth is only temporary. In the medium term, however, we cannot exclude shortages of employees and this could generate an upward pressure on wages.

May was a third month in a row when employment in the corporate sector was rising by 1.1% YoY. We expect this annual pace of growth to stabilize in the coming months.

Given May's wage and employment data in the enterprise sector we estimate that in May wage bill growth slowed in nominal terms to 4.4% YoY down from 4.8% YoY in previous month, while in real terms it reached the level of 5.3% YoY vs an increase by 6% YoY in April. Nevertheless, average growth of wage bill in corporate sector in January-May period is still decent as compared with average growth in whole 2014 (4.9% YoY vs 4.4% YoY in nominal terms and 6.3% YoY vs 4.5% YoY in real terms).

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