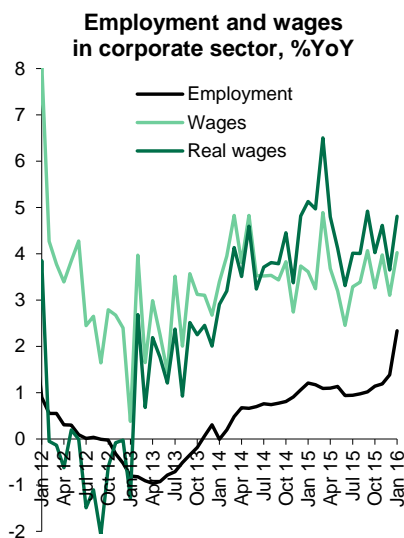


INSTANT COMMENT

16 February 2016

Wage and employment growth accelerated

Average wage in corporate sector rose in January by 4%YoY, and employment increased 2.3%YoY. In both cases the data were above market expectations. However, one should remember that January employment growth may be misleading as the statistics office every year changes the sample of surveyed companies, so the annual growth rate is not a reliable indicator. Acceleration of wage growth is consistent with our intuition, though, and results from a growing imbalance between demand for labour and supply or available workforce. This trend is likely to be continued. Overall, the data look very nice, suggesting the outlook for private consumption is optimistic and (as for now) there are no clear signals of downturn in private sector's investment.



Labour market data surprised to the upside again. Pace of employment growth accelerated to 2.3% YoY from 1.4% YoY in December (consensus at 1.5% YoY) while wages rose 4.0% YoY vs. 3.1% YoY in December (market expectations at 3.4% YoY, our forecast at 3.9% YoY).

Recall that every year in January the statistics office updates sample of the surveyed companies and adds those who started to employ more than 9 workers during the year before. That is why it is exceptionally difficult to forecast January's numbers and releases are often surprising. This time employment surprised well to the upside and rose by 77k MoM – this is the best January's result since 2011 (and the third best in the last 15 years) and shows that in 2015 the demand for workers was rising not only in big companies, but also in the smaller ones. Unfortunately, that is why today's data do not have much value in explaining the situation in the labour market in early 2016. Nevertheless, we expect some slower employment growth in the months to come as the free labour supply is drying up (this process could be slowed by immigration of workers, mainly from Ukraine).

The pace of wage growth in enterprise sector accelerated and in our opinion this stemmed mainly from the fact that December reading was dragged down by low payments in mining. We expect that wage will grow close to January's level in the upcoming months, and may even accelerate due to growing negotiation power of workers. More details on data from the Polish labour market will be available in the Statistical Bulletin.

We estimate that the real wage bill increased in January by 7.3%YoY, the highest level since March 2015. Favourable labour market conditions at the beginning of 2016 support our forecast assuming acceleration of private consumption growth.

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