

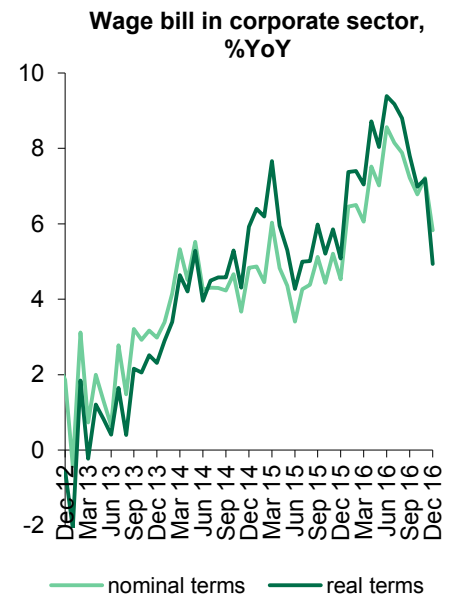
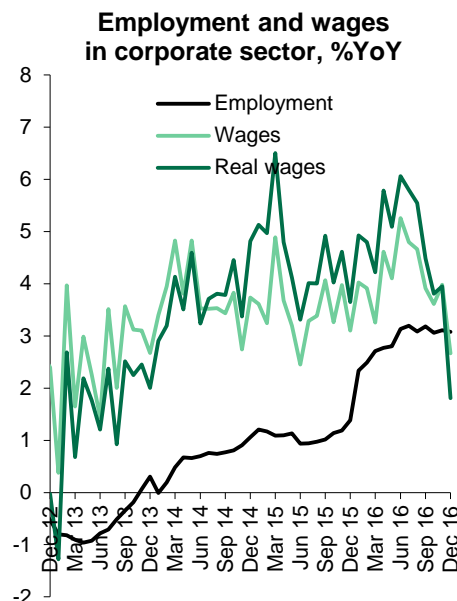
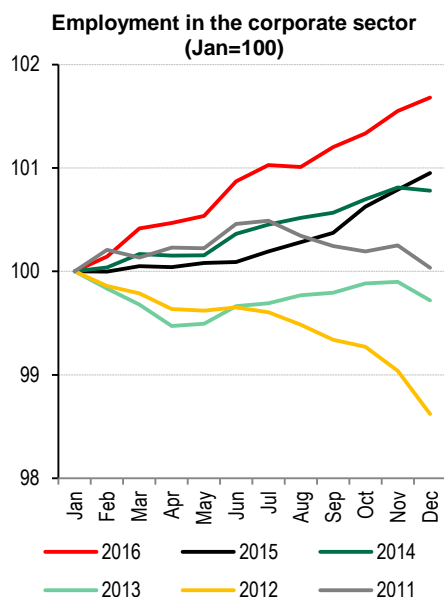
INSTANT COMMENT

18 January 2017

Wages slowing despite strong demand for labour

Average employment rose in December by 3.1% y/y, in line with expectations, while average wage growth hugely disappointed, slowing to 2.7% y/y (market consensus 4.0% y/y, our forecast 3.7% y/y) – its lowest since mid-2015. It seems extremely odd that despite persistent strong demand for new jobs, growing number of vacancies, and deepening shortage of available workforce, the wage growth has been decelerating recently, instead of speeding up. In such environment, it is hard to expect that a commodity-driven surge in CPI at the start of the year will be followed by quickly rising core inflation. Moreover, it suggests that outlook for the private consumption may be less optimistic than expected (especially in 2H17, when the impact of 500+ subsidies wanes). According to our estimates, real wage bill in corporate sector slowed sharply in December to 4.9% y/y, not only due to lower wage growth, but also because of higher CPI. Rising inflation will continue denting the purchasing power of labour income in the coming months.

At this stage, we cannot rule out that such low wage growth in December was the result of one-off in some sector (for example in mining), we will have to wait for more detailed data. However, please note that previous months were also quite disappointing and the charts below suggest that since mid-2016 the upward trend in wages apparently weakened. Anyway, such data should support the short end of the yield curve, limiting the possibility of interest rate hikes in Poland in a foreseeable horizon.



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