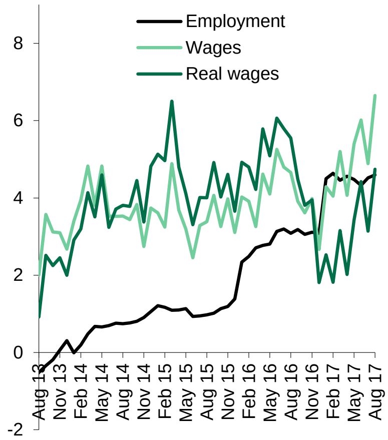
INSTANT COMMENT

18 September 2017

Rise of wage pressure or another distortion?

Wage growth in the enterprise sector reached 6.6% y/y in August and beat expectations by a wide margin (6.6% y/y vs 5.7% expected, up from 4.9% in July). We read this as a confirmation that the shortage of labour force is having a quicker-than-expected influence on the actual process of wage bargaining. The labour market is very tight now as reported by enterprises in business surveys. On the other hand the surprisingly strong print might have been again affected by a change in the month when bonuses were paid out in the mining sector. Real wage bill grew 9.6% y/y in August – the highest pace since September 2008. This should help private consumption maintain the c5% y/y growth rate also in 3Q.

Employment and wages in corporate sector, %YoY



In August wages accelerated to 6.6% y/y from 4.9% y/y in July while employment rose 4.6% y/y vs 4.5% y/y seen in the previous month. Wages beat expectations by a wide margin (consensus was at 5.7% ,we expected 5.9%). This positive surprise comes when the issue of shortage of labour force translating into higher wage pressure is in the spotlight.

One should remember that a sole headline figure is not enough to assess the range of wage acceleration. The August jump might have been triggered by a different timing of bonus payments in mining. This factor played a key role when it comes to the previous reading. In July wages excluding the mining sector grew 6.1% y/y while the headline figure showed only 4.9% y/y). Detailed data will be released on 22-Sep.

If detailed data on wages confirm the hypothesis of strengthening wage pressure then this could influence bias of some MPC members. Jerzy Osiatyński and Jerzy Kropiwnicki, members of a dovish camp in the Council, seem to be focused on the labour market trends. They have recently said that pace of wages growth will not reach levels causing concerns from the inflation point of view. We think that wages could be growing even 8% still this year and this could change the attitude of at least these two MPC members. We still expect first rate hike could be delivered in 4Q18 while Kropiwnicki said in his last interview (before August labour market data release) that rates could remain unchanged for the next 24 months.

The real wage bill in enterprise sector rose by 9.6% y/y in August –the fastest pace since September 2008. We think that the solid stance of labour market should help private consumption maintain the c5% y/y growth (close to the level registered in the 2Q17), despite the fading effect of positive impact of the 500+ child benefit program on household incomes.

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