Bank Zachodni WBK
Grupa Santander

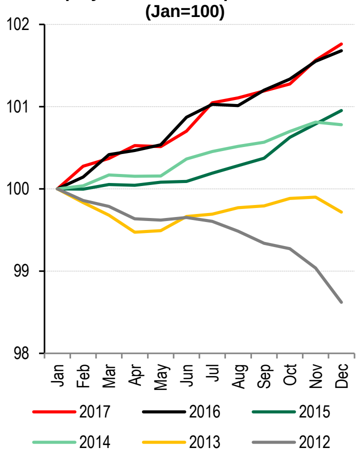
INSTANT COMMENT

17 January 2018

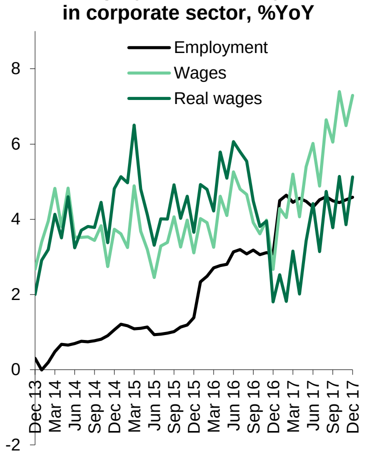
Employment up to 4.6% y/y, wages beat expectations

Enterprise sector data on wages and employment for December beat expectations. Wage growth accelerated from 6.5% y/y to 7.3% with market expecting 7.1% and our forecast of 7.5%. The acceleration in wages happened despite a lower number of working days y/y and is in line with our call that the tight labour market is already generating a substantial wage pressure. Employment surprised on the upside, with y/y growth rising further from 4.5% to 4.6% (as we expected, market saw 4.5%). Corporate employment seems to defy the scarcity of spare labour force issues faced by the Polish economy. Even the lowering of the retirement age in October did not depress employment growth, suggesting that the new retirees returned to their previous jobs after acquiring pensions. The MPC is unlikely to be affected by the data, given its recent dovish rhetoric only a larger set of positive surprises, including a rise of core CPI later in the year might influence the Council's approach. We still think a rate hike is possible in late 2018.

Employment in the corporate sector (Jan=100)



Employment and wages in corporate sector, %YoY



Enterprise sector data on wages and employment for December beat expectations. Employment surprised on the upside, with y/y growth rising further from 4.5% to 4.6% (as we expected, while market saw 4.5%). Corporate employment seems to defy the scarcity of spare labour force issues faced by the Polish economy and expressed by firms in business sentiment surveys. Even the lowering of the retirement age in October did not depress employment growth, suggesting that the new retirees returned to their previous jobs after acquiring pensions.

The monthly increase of employment by 0.2% was the strongest among all Decembers since comparable data are available (1990!). The same was true about the November reading. Year-to-date growth of employment was even slightly stronger than in 2016. While the business environment improved substantially since 2016, the labour market tightened so much (showing a lowest ever rate of unemployment) that we feared it could bring down employment growth. It did not happen in 2017 which bodes well for economic activity in 2018, as it suggests the labour shortage issue was not as severe a bottleneck of economic activity as we expected.

Wage growth accelerated from 6.5% y/y to 7.3% with market expecting 7.1% and our forecast of 7.5%. The acceleration in wages happened despite a lower number of working days y/y and is in line with our call that the tight labour market is already generating a substantial wage pressure. We expect that wage pressure will even grow in the coming quarters, leading to further acceleration of corporate wages, possibly to c10%y/y in late 2018.

The MPC is unlikely to be affected by the data, given its recent dovish rhetoric only a larger set of positive surprises, including a rise of core CPI later in the year might influence the Council's approach. We still think a rate hike is possible in late 2018.

Real wage bill growth jumped from 8.5% y/y to 9.9% in December. This is its strongest print since September 2008, and leaves the 4Q17 average at 9.4% y/y – a whole 3pp higher than the average for 4Q16. Strong rise of households' disposable incomes supports robust strong behavior of consumption in 4Q17.

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