

# Economic Comment

## Consumer optimism keeps fading

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In November wages grew by only 5.3% y/y vs expectations and the previous reading both at 5.9%. It is the third month in a row of negative surprises. Employment in the corporate sector grew by 2.6% y/y, up from 2.5%, but we consider this rise as temporary. In December consumer confidence indicators continued to decline.

### Wage growth below expectations again

In November Polish employment in the corporate sector rose by 2.6% y/y, a notch higher than expected and than in October. The registered m/m rise of 12k is actually historically quite high for November and in contrast with the previous monthly releases which looked poor compared to the same months of the previous years. This rebound of employment may be a temporary phenomenon due to expansion of e-commerce and thus growing seasonal demand for delivery services. The reading does not change our forecast of a further slowdown in employment growth in the following months.

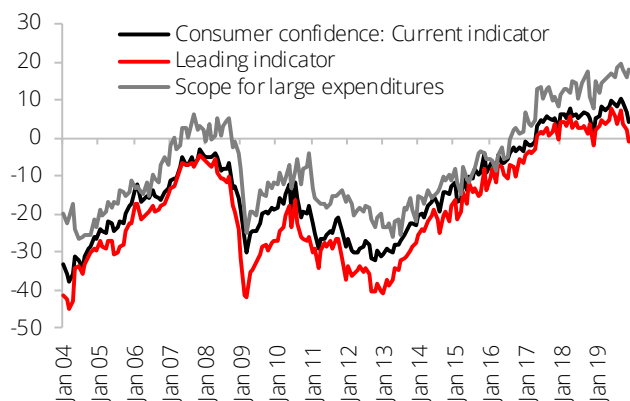
Wages grew by only 5.3% y/y vs expectations at 5.9% and the previous result at 5.9%. It is the third month in a row of negative surprises with corporate sector wages. In m/m terms we saw the weakest wage growth for November, 0.3%, since at least 1995. There are years when wage growth in the final months of the year is quite volatile due to varying period when some industries like mining pay out their bonuses, so the November print should be treated with caution until industry-level data are released later this month. In general, we think the economic slowdown and symptoms of declining labour demand will bring the annual average wage growth in the corporate sector down from c6.6% in 2019 to c6% in 2020.

The implied real wage bill growth estimate, based on corporate sector data, was 5.3% y/y, the lowest in three years. To get a more reliable estimate of household income growth one should note the ongoing fiscal stimulus (boosted social transfers for kids) and the public sector wages growing recently much faster than in the corporate sector. Taking this together, we believe private consumption can return above 4% y/y in 4Q and the following quarters vs 3.9% recorded in 3Q19.

### Consumers correct their optimistic view

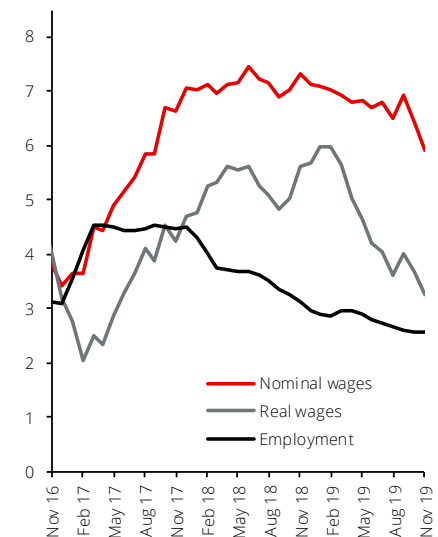
In December, consumer confidence indicators continued to decline. The current assessment index is now the lowest this year, the expectations index turned negative for the first time this year. Indexes regarding present and next year's economic situation are going down faster than the ones covering households' financial situation. The last time the joint two-month decline of economic situation expectations was as large as now was eight years ago. Unemployment worries also kept rising and are already the highest in three years. At the same time the gauge of openness to major purchases is still close to the record high from September this year.

### Consumer confidence indexes



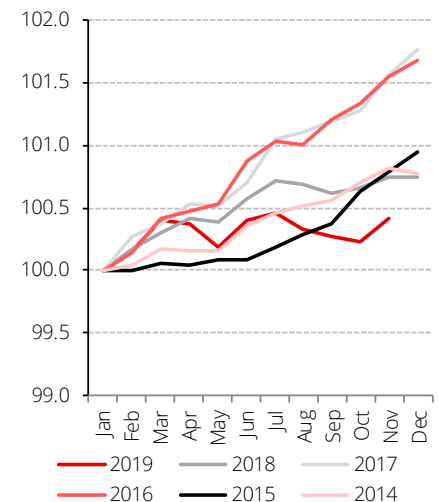
Source: GUS, Santander

### Employment and wages in corporate sector, % y/y, 3M mov. av.



Source: GUS, Santander

### Employment in the corporate sector (Jan=100)



Source: GUS, Santander

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