

Economic Comment

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Consumer confidence down amid robust wages

Marcin Luźniński, +48 22 534 18 85, marcin.luzinski@santander.pl

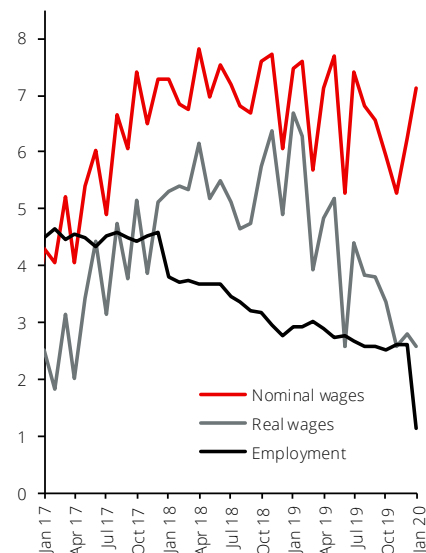
Corporate wage growth accelerated to 7.1% y/y with the minimum wage hike possibly adding 1 pp, and underlying momentum most likely remaining robust. Corporate employment rose in January by 1.1% y/y, less than expected, but note that the January data is under strong effect of change in the statistical sample. In our view, however, the demand for labour in Poland is weakening and this should also rein in the wage growth in the months to come. The accelerating inflation is consuming a large part of higher wage growth and this is translating into falling consumer confidence. In our view, the labour market and consumer confidence numbers are in line with a further slowdown in private consumption in 1Q2020.

Corporate wage growth accelerated to 7.1% y/y, above our expectations, in line with the market consensus and posting the highest growth since July 2019. We estimate that the minimum wage hike to PLN2600 from PLN2250 could have added about 1 percentage point to total wage growth. While we were expecting the negative working day effect and lower payments in mining to drag the headline lower, it seems that the underlying growth remained quite robust. We will get to know more details on 25 February, when the Statistical Bulletin is released.

Corporate employment rose in January by 1.1% y/y, less than expected (we: 1.6%, consensus: 2.1%), but note that the January data is under strong effect of change in the statistical sample (the Statistics Office is adding companies that exceeded the 10-persons employment threshold in 2019), so the number does not tell much about the current trends. In our view, however, the demand for labour in Poland is weakening and this should also rein in the wage growth in the months to come.

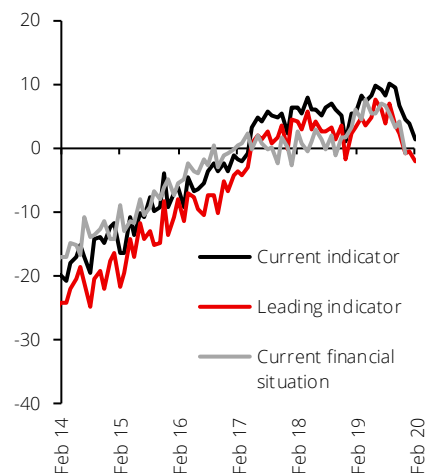
Despite nominal wage growth still remaining at a robust level, note that the acceleration in CPI is eroding the growth rate of real disposable incomes and the newest results of consumer optimism survey seem to reflect that, with both the current and the leading indicators pointing south. Consumer confidence indicators show a major deterioration of households' assessment of own financial situation and scope for large purchases. In our view, these numbers are in line with a further slowdown in private consumption in 1Q2020.

Wage and employment growth in the corporate sector, % y/y



Source: GUS, Santander

Consumer confidence, points



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: skarb.santander.pl

Piotr Bielski + 48 22 534 18 87

Marcin Luźniński + 48 22 534 18 85

Grzegorz Ogonek + 48 22 534 19 23

Konrad Soszyński + 48 22 534 18 86

Marcin Sulewski, CFA + 48 22 534 18 84

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.