

20 April 2020

## Economic Comment

### Labour market hit by the coronavirus

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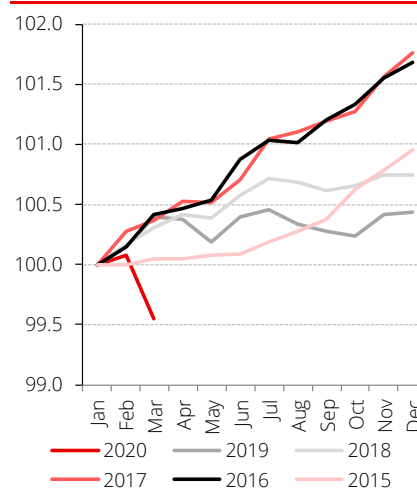
Poland's March labour market data were clearly impacted by the coronavirus with employment growth slowing down to 0.3% y/y from 1.1% y/y and wages to 6.3% from 7.7% y/y in February. The data confirm that the Polish economy was massively hit by the coronavirus impact and supports our forecasts of negative GDP growth in 2020. We are expecting more deceleration in employment and wage statistics in the months to come.

With monthly decline of 34 thousand jobs (-0.5% m/m), this was the worst March since comparable data are available (early 90s). Note that these data cover only companies employing more than 9 people, covering only about 1/3 of total employment and leaving out many companies from sectors mostly affected by coronavirus-related restrictions, e.g. restaurants. It also does not take into account workers on civil contracts, which are typically the first to be laid off. Thus, the true scale of decline in employment could have exceeded 100k. On the other hand, the employment statistics omit people on unpaid holidays, sick and childcare leaves and especially the latter may have come in big numbers after education facilities were shut down on 12 March, markedly lowering the employment numbers. Interestingly, while typically workers on leaves should be deducted from the employment figure only when their leave span exceeds 14 days, the Statistics Office allows to deduct also shorter leaves in periods of significant volatility in employment, i.e. now, if we interpret this rules correctly. In other words: it is difficult to state what does the employment statistics actually reflect right now.

We will try to get to know more when we see the Statistical Bulletin due for release on Friday. We guess that the comparison of employment data with the number of the employed could be a hint about scale of actual layoffs, as the former statistics is an average employment counted in full-time jobs and the latter is a simple sum of persons. Maybe also the unemployment data can shed some light on the problem, but we assume that many jobseekers were unable to register given that public offices suspended direct client services. Still, in our view the employment is going to fall further.

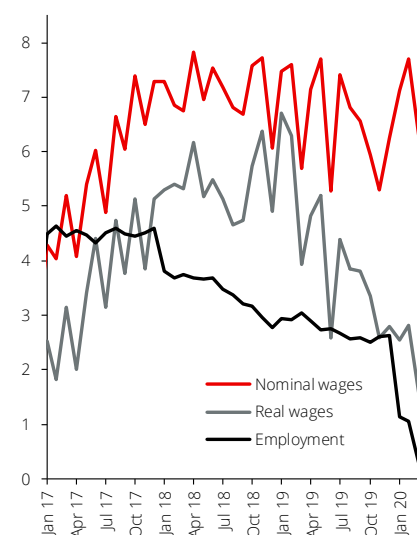
As regards average wages, the impact was not that strong and salaries managed to rise by 3.0% in monthly terms. Still, in our view we are likely to witness a major deceleration of wage growth towards zero in the months to come. This trend will be amplified by the government's instruments aiming at supporting the economy (subsidising wages provided that they are cut by 20 or 50%), as while it is protecting jobs and the wage bill in total, it will be negative for average paid salaries.

#### Employment in the corporate sector, Jan=100



Source: GUS, Santander

#### Wages and employment, % y/y



Source: GUS, Santander

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