

Economic Comment

Good labour data in sweet and sour sauce

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In July employment in the corporate sector was down only 2.3% y/y vs -3.0% y/y consensus and our -3.1% call. In m/m terms, employment rose by 66k, the most ever, ex Januaries. Wage growth accelerated to 3.8% y/y from 3.6% while market expected it to slow to 3.4%. While these numbers are quite promising in regard to private consumption outlook, the consumer confidence deteriorated in August, most probably due to rising Covid-19 restrictions. The latter factor could be a risk factor for the consumption recovery in Poland.

Strong rebound of employment

In July employment in the corporate sector was down only 2.3% y/y vs -3.0% y/y consensus and our -3.1% call. There is ongoing process of reversing the switch to reduced working time of some employees and this affects the GUS employment figures, as these are calculated in full-time equivalent. Also people are returning from sick leaves and extended family care (which also made them disappear earlier from employment statistics). Employment rose by 66k m/m which is the highest reading on record (since early 90s, when comparable data are available; excluding Januaries when there is a technical sample correction often leading to high employment changes).

Wages grew by 3.8% y/y in July, which means an acceleration vs the previous reading of 3.6% y/y. We thought it could reach 4.5% on normalisation as economic activity is being restored after the lockdown, while market consensus saw a decline to 3.4%.

Wage bill in the corporate sector rose by 1.5% y/y following 0.2% in June and two negative readings before that. However, corrected for inflation it remained negative for the fourth month running, at -1.6% y/y.

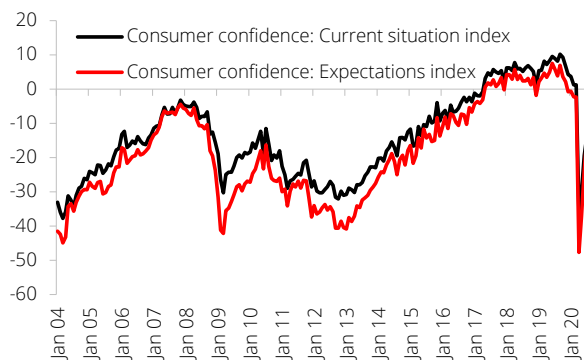
Today's release is the first of the set of real data covering 3Q and is quite promising, suggesting the recovery should run smoothly unless the pandemic forces the government to launch tougher and broader restrictions.

Sour consumer sentiment

Consumer confidence data serves as fly in the ointment, as it deteriorated in August with the current indicator going down to -15.2 from -13.4 and the leading gauge down to -16.5 from -13.6. Headline figures were driven down by worse assessments of general economic situation, forecasts of households' financial situation and unemployment fears.

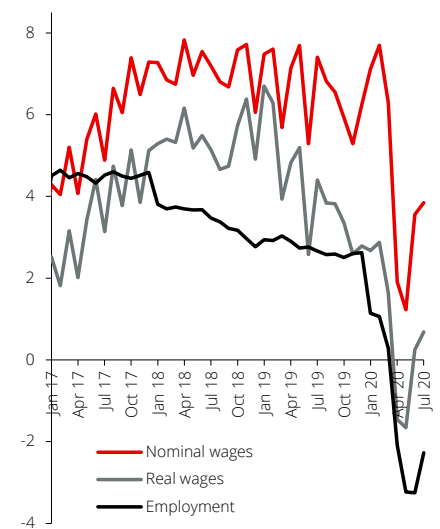
We think that consumer confidence may have been affected by rising number of Covid-19 infections and tightening of epidemic restrictions in some regions. While fears of losing job due to the epidemic eased (22.5% of respondents were worried vs 26.5% in July), more people were concerned about: general health in Poland (36.1% seeing a major threat vs 27.9% one month before), their personal health (26.9% seeing a major threat vs 21.8% one month before) and economic situation in Poland (54.2% vs 52.5% in July). We think that more sour consumer sentiment could weigh on the pace of recovery of private consumption in 3Q20.

Consumer confidence, pts



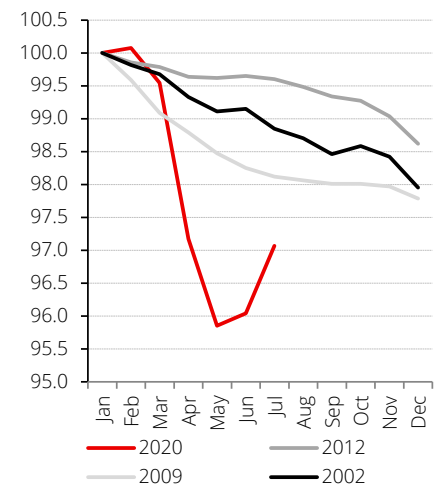
Source: GUS, Santander

Corporate sector data, %/y



Source: GUS, Santander

Corporate employment in slowdown years, Jan=100



Source: GUS, Santander

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