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Economic Comment

Employment down on sample change

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January employment fell by 2.0% y/y vs our call at -1.3% y/y and market expectations at -1.5% y/y, while wages rose by 4.8% y/y in January, close to our call (4.7%) and market expectations (4.8%). Decline in employment was mostly due to annual adjustment of GUS statistical sample, in our view. We are expecting employment and wage growth to improve in the months to come. In February, Polish consumer confidence did not change much m/m. Households' expectations about future financial situation rose to the highest level in four months. We think that private consumption will be quite strong in Poland once all the pandemic restrictions are removed.

Employment down most likely due to annual sample adjustment

January employment fell by 2.0% y/y vs our call at -1.3% y/y and market expectations at -1.0% y/y. In monthly terms, employment fell by 15k. Decline of employment in January is an untypical phenomenon and occurred for the first time since 2004.

Changes of employment in the months of January are mostly caused by the Statistics Office's annual update of its statistical sample and are usually difficult to forecast. Let us remind that the Office surveys companies employing 10 and more people so once a year in January it removes from the sample the companies that fell below that threshold and adds those that went above it.

The labour market situation throughout 2020 was generally inclement, in particular for smaller companies, which are in general more likely to fall below the 10-employee threshold and at the same time are strongly present in the sectors the most affected by the pandemic like restaurants and minor services.

We think that in the following months the employment will be slowly coming up.

Wages grew in line with expectations

Wages rose by 4.8% y/y in January, close to our call (4.7%) and market expectations (4.8%). Full breakdown will be shown by the Statistics Office on 23 February, but today's report mentioned that wages rose in almost all categories, with growth rates ranging between +0.9% y/y in "other services" and 9.5% y/y in agriculture. Wage growth was negative in restaurants and accommodation (-3.1% y/y) and in cultural and recreational services (-2.0% y/y).

We are expecting some acceleration in wage growth in the following months, yet restaurants, cultural and recreational services could remain under pressure. Accommodation could get a breather as hotels were reopened on 12 February.

Consumer confidence

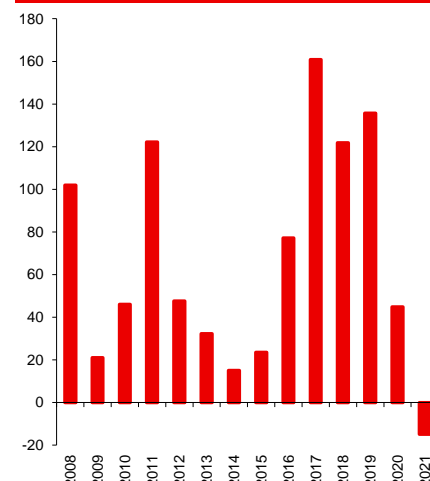
In February, Polish consumer confidence did not change much m/m. The current assessment index was -25.2 pts vs -36 pts at the start of the pandemic, -14.5 pts in 3Q20 (between the Covid-19 waves) and the long-term average of -14.1 pts. The expectations index was -22.3 pts vs -47.7 pts at the start of the pandemic, -15.4 pts in 3Q20 and the long-term average of -18.6 pts.

This is the third month running with expectations index above current assessment index and only sixth such reading in the history of more than 200 monthly observations.

On the positive side, households' expectations about future financial situation rose to the highest level in four months and unemployment worries eased for the third month running. On the negative side, assessment of current economic situation kept falling and is now the lowest since late 2012 and much below its spring 2020 values.

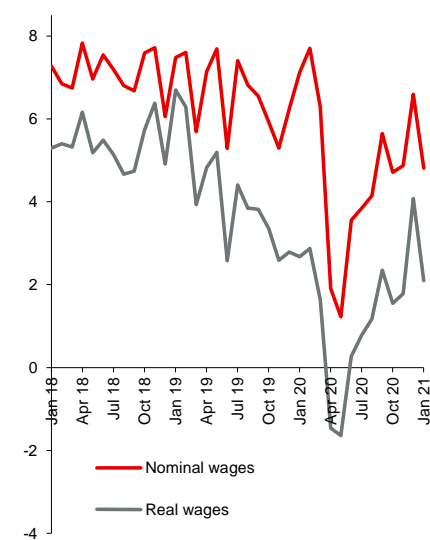
The opinions regarding the impact of Covid-19 on own finances and everyday life were also stable m/m. Some 28% still see the possibility of losing a job or closing a business due to the pandemic, out of which c.7% think it is highly likely. Around 22% say the pandemic is a serious threat to their financial situation while another c.42% see it as a moderate threat. The assessment of own health risks due to the pandemic decreased

Employment - change in January, thousand



Source: GUS, Santander

Wage growth, % y/y



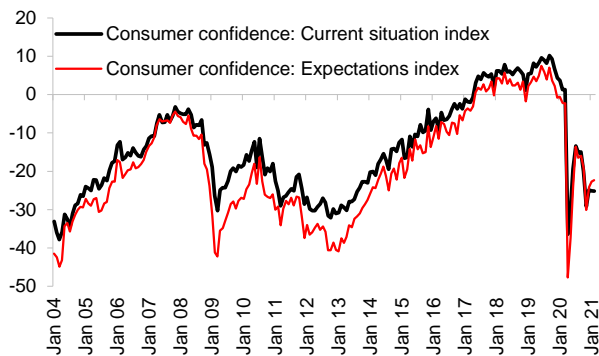
Source: GUS, Santander

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somewhat. Covid-19 was considered a serious threat to their own health by c.33% vs c.37% a month ago and c.44% in November.

Main consumer confidence indicators



Source: GUS, Santander

We think that private consumption will be quite strong in Poland once all the pandemic restrictions are removed. The progress in vaccination rollout is in our view key to removal of the risks of further lockdowns and trade restrictions.

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