CEE Economics

Poland

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Economic Comment

High activity at the start of the year

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In January the industrial output accelerated way above market consensus, to 19.2% y/y from 16.7%. The industry's momentum at the start of 2022 suggests that 1Q GDP may be only marginally weaker than 7.3% recorded in 4Q21. Wages rose by 9.5% y/y in January, somewhat slower than expected. In real terms wages added a minute 0.2% y/y, the weakest reading since January 2013, if we omit the initial coronavirus shock. Employment rose by 2.3% y/y. As usually, the reading was under impact of change in GUS's statistical sample.

The first set of January data confirms that both the economic activity and the inflation pressure remain elevated. This is supportive for our forecasts of robust GDP growth this year (4.7%) and suggests that the MPC will continue with monetary policy tightening in the nearest future.

Industrial output markedly above expectations

In January the industrial output accelerated way above market consensus, to 19.2% y/y from 16.7%. The market was expecting a slowdown to 14.7% y/y and we to 13.6%. The seasonally adjusted m/m growth was equally striking at +4.2%. Breakdown by main industrial groupings showed all categories going up by more than 10% y/y (from 39.2% y/y in energy to 10.4% y/y in consumer non-durables). Manufacturing output rose 15.6% y/y, the fastest since June 2021. Utilities (output up 51.6% y/y), and mining (+32.6% y/y) delivered the highest positive y/y growth contributions on record (4.7pp and 0.9pp respectively). Very high growth rates were also seen in manufacture of transport other than passenger cars (+40.2% y/y), chemicals, machinery and equipment, electronics, metal production which are quite export-oriented industries and generally all exposed to the shortages of commodities and materials seen in 2021 – which suggests these supply chain tensions might have eased. The industry's momentum at the start of 2022 suggests that 1Q GDP may be only marginally weaker than 7.3% recorded in 4Q21.

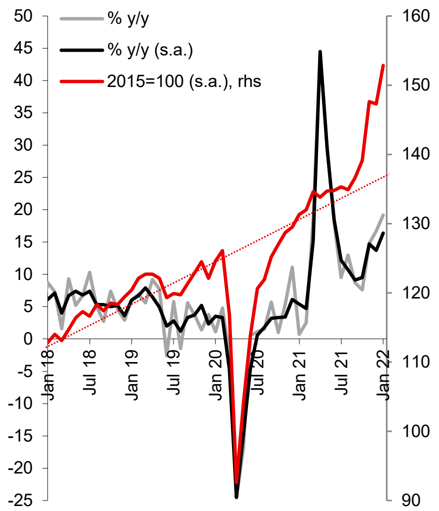
Wages grow slower, but employment went up

Wages rose by 9.5% y/y in January, somewhat slower than we and the market expected (9.7% and 10.1%, respectively). In real terms wages added a minute 0.2% y/y, the weakest reading since January 2013, if we omit the initial coronavirus shock. The weaker result comes after a strong December (11.2% y/y), and in our view such a marked swing in annual growth rate is due to two factors: (1) stronger bonus payments at the end of 2021 as compared to weak pandemic-driven 2020, (2) earlier payments of salaries aimed at avoiding changes in the tax system. It is generally difficult to differentiate between these two events based on low granularity statistics, but in our view the behaviour of wages in information and communication sector can be supportive for the tax changes hypothesis: unusual seasonal pattern, rapid rise in annual growth in December and then a strong decline in January, below rates seen in October-November, high average nominal wage in the sector.

Employment rose by 2.3% y/y as compared to our expectations at 2.0% y/y and market consensus at 1.7% y/y. As usually, the reading was under impact of change in GUS's statistical sample and does not say much about trends in January alone, but rather about 2021 on average. Strong economic growth in 2021 allowed companies to increase their employment and enter the surveyed population (10 and more people employed). In monthly terms employment jumped by 1.5% m/m and the strongest performances were recorded in information and communication (+4.7% m/m), mining (+3.6% mm) and transport (+2.7% m/m).

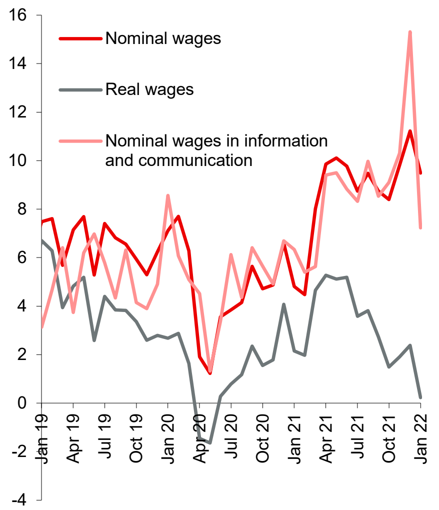
We are expecting the demand for labour to remain strong in the months to come, yet employment itself is not likely to advance significantly given low availability of labour force. Meanwhile, wages will probably increase by about 10%, with wage pressure remaining high given strong demand for labour, low unemployment and high inflation rate. In general the labour market situation will be supportive for private consumption in 2022.

Industrial output



Source: GUS, Santander

Wage growth, % y/y



Source: GUS, Santander

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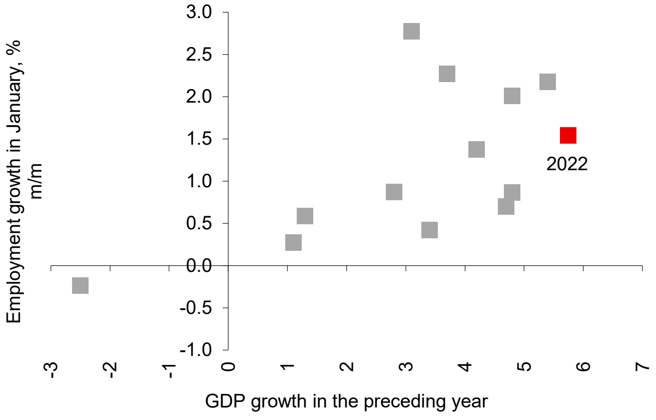
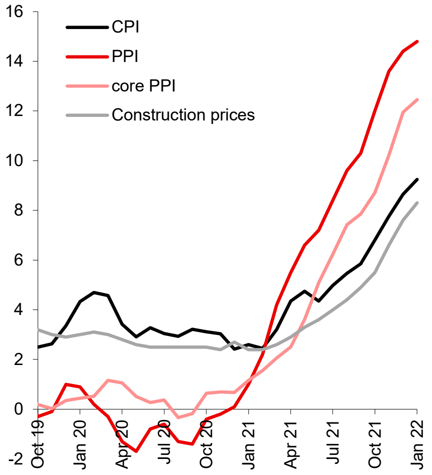
Increase in employment in January vs GDP growth in the preceding year



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander

PPI: don't stop me now

Polish PPI inflation beat market expectations accelerating to 14.8% y/y from 14.2% (market expected to see 14.4% while we believed a marginal decline to 14.1% was likely). This was the 13th consecutive upside surprise with PPI. While the producer price changes in mining and oil refining are very high (4.6% m/m and 4.9% m/m respectively), so is our measure of core PPI (removing the items directly exposed to global commodity prices) – reaching 12.5% y/y from 12% previously. Industry has been performing surprisingly strongly since the start of 4Q21 and it seems the demand remains robust and thus the inflationary pressure can remain elevated. While we still think PPI inflation should trend downwards for a better part of this year, it now seems that single-digit pace can only be reached in late autumn.

Prices in construction advanced by 8.3% y/y, reaching the highest growth rates since 2007. In our view the indicator will be accelerating further.