

20 July 2022

## Economic Comment

### June data suggesting incoming slowdown

Piotr Bielski, tel. +48 22 534 18 87, [marcin.luzinski@santander.pl](mailto:marcin.luzinski@santander.pl)

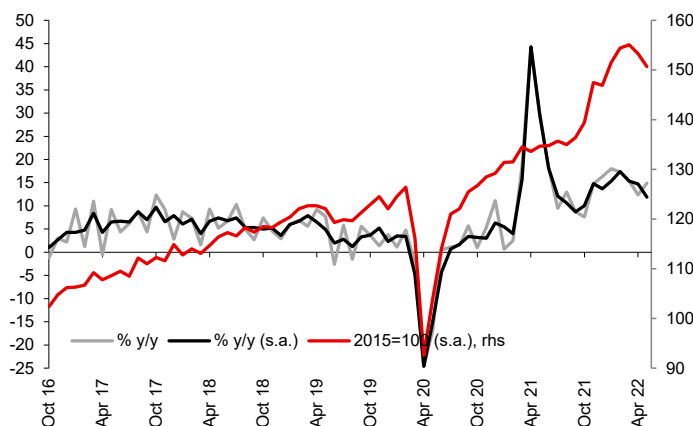
Marcin Luźniński, tel. +48 510 027 662, [marcin.luzinski@santander.pl](mailto:marcin.luzinski@santander.pl)

Industrial production growth slowed in June to 10.4% y/y from 14.9% y/y (revised lower) in May. Almost all the sectors recorded a very weak monthly increase in output. The data provide another piece of evidence that the trend of vibrant post-pandemic rebound in Polish industry has turned around and now the sector is entering the period of contraction, amid worsening global demand, lasting shortages of components and possible shortages of energy. Employment increased by 2.2% y/y in June vs 2.4% y/y in May and slightly above our forecasts at 2.1% y/y. Meanwhile, wages slowed to 13.0% y/y in June from 13.5% y/y in May. This was a second month in a row with below-average results. We think that the wage growth is probable to remain contained in the upcoming months, yet two-digit annual growth rate is likely to stay. Still, wages are likely to grow slower than inflation, which will be negative for the real consumption. In general, June's data point to developing economic slowdown, supporting our forecast of a major decline in GDP growth in 2H22.

#### Industrial output pointing to a slowdown

Industrial production growth slowed in June to 10.4% y/y from 14.9% y/y (revised lower) in May. The seasonally adjusted growth was 10.5% y/y, which was the slowest rise since October 2021, and the seasonally adjusted level of output fell for the third straight month, reverting to end-2021 level. Manufacturing slowed to 9.8% y/y – the first single-digit growth since October. Almost all the sectors recorded a very weak monthly increase in output, with particular underperformance in: manufacture of metals, pharmaceuticals, other transport equipment, products of wood and furniture. In other words: sectors which are most export-oriented and use commodities imported from the East. Actually only one sector fared pretty well: mining, which saw its output surging by 25.4% y/y as the looming shortage of coal caused by ban on imports from Russia boosted output from domestic coalmines. The data provide another piece of evidence that the trend of vibrant post-pandemic rebound in Polish industry has turned around and now the sector is entering the period of contraction, amid worsening global demand, lasting shortages of components and possible shortages of energy. PPI growth accelerated to 25.6% y/y, above forecasts and we think it may be the local peak for producer prices, as global commodity prices has been falling for some time.

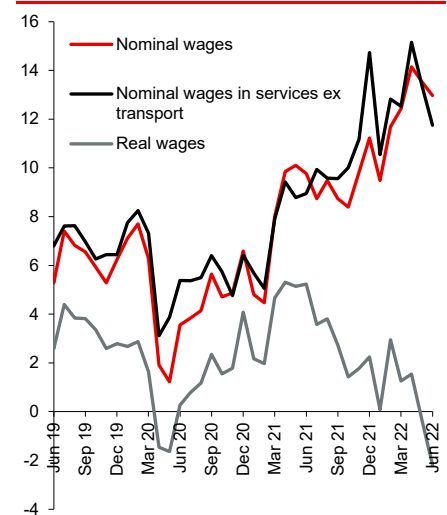
#### Industrial output



#### Temperature of labour market going down

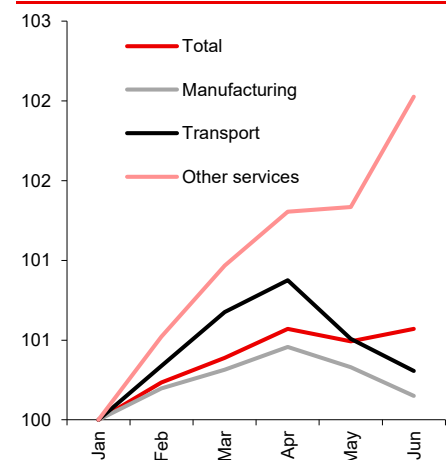
Employment increased by 2.2% y/y in June vs 2.4% y/y in May and slightly above our forecasts at 2.1% y/y. Monthly increase in employment (+5k jobs or +0.1% m/m) was almost entirely created by services ex trade and transport (+9k or +0.7% m/m), with particularly strong tendencies in restaurants and accommodation (+1.3% m/m) and

#### Wages, % y/y



Source: GUS, Santander

#### Employment, January=100



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)

website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)

Piotr Bielski +48 22 534 18 87

Jarosław Kosaty +48 887 842 480

Marcin Luźniński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

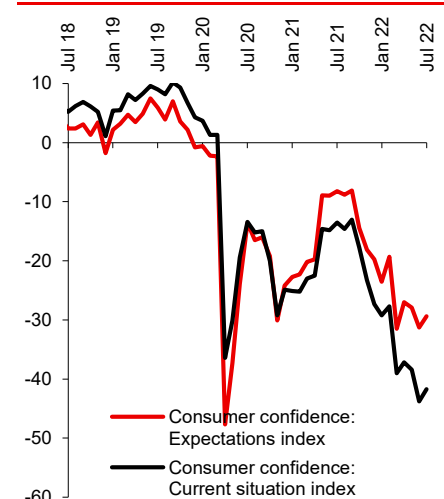
information and communication (+0.8% m/m), while other sectors being somewhat sluggish, and manufacturing, construction, transport recording some declines in employment. We think that these changes might reflect the impact of flows of Ukrainian citizens after the war outbreak. We think that employment is likely to become more sluggish in the upcoming months.

Wages slowed to 13.0% y/y in June from 13.5% y/y in May (our forecast and consensus: 13.3% y/y). In monthly terms wages rose by 2.4% m/m, which is roughly in line with 2015-2022 average for June (2.5% m/m). This was a second month in a row with below-average results and we think that this may be an effect of worse economic outlook and inflow of refugees (services ex transport saw wages slowing down to 11.7% y/y from 13.4% y/y and were slowing at a fast rate for the second month in a row). We think that the wage growth is probable to remain contained in the upcoming months, yet two-digit annual growth rate is likely to stay. Still, wages are likely to grow slower than inflation, which will be negative for the real consumption.

#### Consumers in better moods

Consumer confidence rebounded very slightly in July but remained at a very low level – the current index of confidence is even much worse than in the peak-covid period, leading indicator is a bit higher but still very negative. Almost all sub-indices have improved slightly, except the assessment of current economic situation (new record low). In general, the survey continues to show a very negative outlook for consumer demand, which – together with increasingly negative real wage growth – should weigh on private consumption in the coming quarters.

Consumer confidence, pts



Source: GUS, Santander

*This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.*

*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>.*