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Economic Comment

Sweet-and-sour mix of industry, labour market data

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September employment surprised to the downside and rose by 2.3% y/y (we and the market had expected 2.4% y/y). This signals that concerns about the economic slowdown may already be translating into hiring decisions. Wages, on the other hand, surprised to the upside and rose by 14.5% y/y vs. our forecast and consensus of 13.4% and the August reading of 12.7% y/y. It looks like wage pressure remains quite strong, but probably not enough to restore positive real wage growth. Industrial production rose by 9.8% y/y in September and this was the second significant upward surprise in a row. Soft indicators for manufacturing point to a decline in activity, so output may slow down in our view in the coming months. PPI inflation fell to 24.6% y/y in September from 25.5%. The market and we expected no slowdown.

Layoffs and faster wage growth

September employment surprised to the downside and rose by 2.3% y/y (we and the market had expected 2.4%). In monthly terms, employment fell by 8.8k jobs, mostly in manufacturing (6.6k) and trade (2.5k). In percentage terms, the strongest decline (0.9% m/m) was seen in accommodation and restaurants. This comes as a clearly negative print, suggesting that companies' worries about economic outlook are already taking its toll on employment.

Meanwhile, wages surprised to the upside and rose by 14.5% y/y vs our and market forecast at 13.4% and 12.7% in August. While new payments in one of major mining companies again caused a jump in this sector (to 24.5% y/y in September from 13.4% y/y in August), other sectors also saw an acceleration: wages ex mining to 14.2% y/y from 12.7% y/y in August, and wages in services up by 15.4% y/y vs 15.0% y/y in August. The strongest relative performances (as compared to seasonal patterns) were recorded in manufacturing, trade and energy.

It is interesting to note that the strong wage growth was observed in the sectors where employment fell most sharply. It may be tempting to deduce that low-earners were made redundant, which bumped up the average wage, but such an effect could add no more than a few tenths of a percentage point to the dynamics and does not even explain most of the acceleration.

It seems that wage pressure remains quite strong despite job reductions. However, we think that it is unlikely to be strong enough to turn real wage growth positive, given weakening financial standing of companies. The negative real wage growth (-2.3% y/y in September) will be putting a negative pressure on consumption.

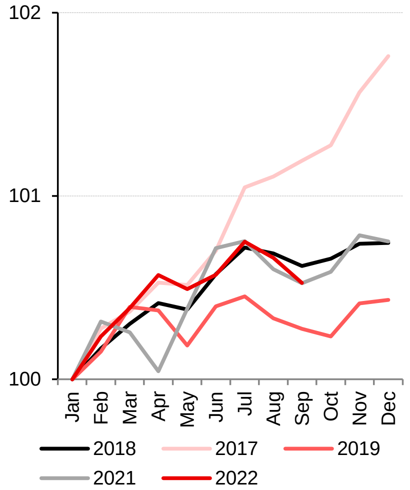
Output exceeded expectations again

Polish industrial output rose 9.8% y/y vs. market expectations at 8.8% and our 9.2% forecast. This was the second significant upside surprise in a row. The slowdown vs. 10.9% growth recorded in August was due to smaller contributions from mining and utilities, while the manufacturing sector looked resilient with almost unchanged annual growth. The SA growth was 10.3% y/y, which means that 3Q average was 10.4% vs. 12.3% in 2Q. SA m/m growth was again positive, +0.3%.

Investment goods showed an annual output growth of 29.1% y/y, up from 22.6% a month earlier, while intermediate goods slowed down to 6.9% from 8.6% y/y and consumer non-durables to 9.1% from 11.9% y/y. Consumer durables kept showing a y/y decline (-4.9% in September, -5.8% on average in the previous three months).

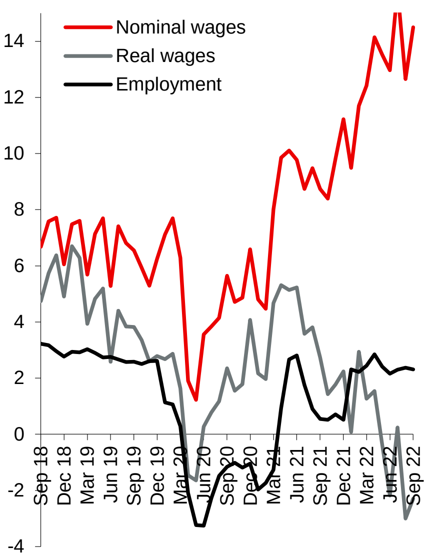
In m/m terms some sectors were clearly performing worse than their usual seasonal activity pattern (production of chemicals and pharmaceuticals, coal mining) while others were surprisingly strong: production of IT equipment and electronics, the automotive sector, machinery and equipment production.

Employment in the corporate sector, Jan =100



Source: GUS,, Santander

Wage growth, % y/y



Source: GUS, Santander

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The soft indicators covering industry clearly point to a decline of activity so the output should slow down in the coming months in our view.

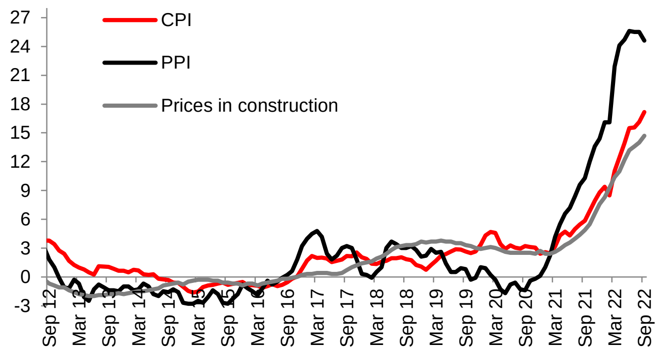
PPI inflation fell against expectations

PPI inflation eased in September to 24.6% y/y from 25.5%. The market and us expected no slowdown. The manufacturing sector saw producer prices rise 19.5% y/y vs. 20.1% previously, while in m/m terms, after a surprising decline in August by 0.5%, there was an 0.4% rebound in September. The utilities sector went from a large rise in prices (+10.1% m/m in August) to a significant fall (-3.7%). These two sectors were responsible for the slowdown in PPI inflation, and went against the further acceleration of prices in mining (+4.6% m/m).

Core PPI (excluding categories directly dependent on global commodity prices) seems to have eased in September to c.21.8% y/y from 22.6% - this would be its first decline since August 2020.

There was no similar change of direction in construction prices, which accelerated in September to 14.7% y/y from 14.0%. The monthly price growth, after an upside revision of August and a strong September print, is no longer showing a downward trend. It was replaced by a quick rebound back to 1.4% m/m seen in June.

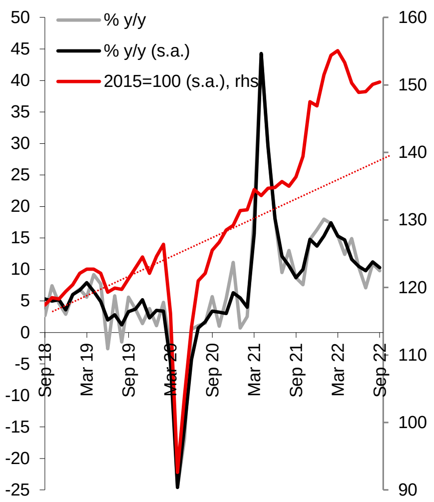
Inflation measures in Poland, %y/y



Source: GUS, Santander

The PPI inflation may have peaked, bringing Poland somewhat closer to a change of direction in CPI inflation, but we do not think it might happen immediately. Note that PPI data tend to undergo large upside revisions lately – the July print also signalled a turn in producer price inflation, but all the decline was erased from the data by a revision coming a month later.

Industrial output in Poland



Source: GUS, Santander

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