Bank Zachodni WBK
Grupa Santander

INSTANT COMMENT

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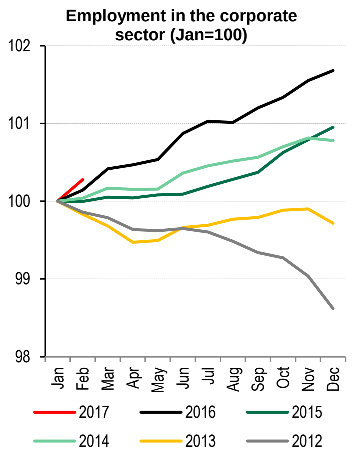
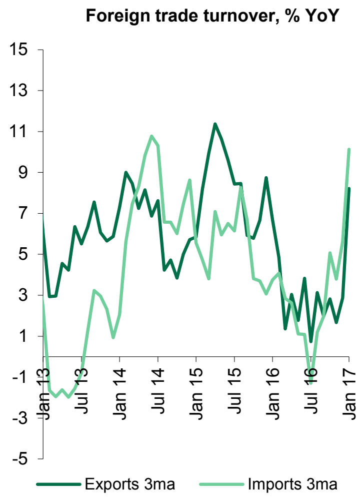
Good news from the labour market and balance of payments

Wage growth in corporate sector in February reached 4.0% y/y and employment growth 4.6% y/y. Demand for labour remains strong and the wage pressure is not growing. In our view, such situation cannot last forever and in the second half of the year we expect to see a slowdown in employment growth and faster wage increase.

Current account surplus in January reached the record level €2.5bn, which resulted mainly from big transfer of EU funds. Such good outcome is unlikely to repeat in next months. Export and import growth accelerated (to 13.8% and 16% y/y, respectively), partly due to calendar effect, and partly thanks to rising external and internal demand. The data should be supportive for the zloty in the short run, as the C/A surplus was much above market consensus, however we think it does not change the economic outlook for Poland. Net exports should be almost neutral for GDP growth this year, according to our estimates.





The labour market not slowing down

February data from the labour market were slightly better than our expectations: employment in enterprise sector increased by 4.6% y/y (we expected 4.5% y/y) and wages grew by 4.0% y/y (we expected 3.9% y/y).

The pace of employment growth was really impressive. In February, the number of jobs in corporate sector increased by 16.5k, the most in this month since 2008. The beginning of 2017 was very strong in terms of job creation, despite growing shortage of skilled labour force. Very strong demand for labour has not triggered a higher wage pressure yet, and February wage growth by 4.0% y/y was rather moderate. In our opinion, this situation cannot last forever, and in the second half of this year we expect a slowdown in employment and faster wage growth.

Wage bill in the enterprise sector rose in February by 8.9% y/y in nominal terms and by 6.5% y/y in real terms. Favourable situation in the labour market and high income growth support private consumption growth around 4% y/y this year.

Record high surplus of the current account thanks to EU transfers

January saw a current account surplus of €2.5bn, the highest since comparable data are available. We were expecting that the surplus may exceed €2.0bn, given the high inflow of EU funds. According to the Ministry of Finance, current transfers from EU to Poland amounted to €2.2bn in January, vs average at €0.5bn monthly in 2016. Most of these flows was money for farmers (CAP).

According to our estimates, after January the current account deficit decreased to a mere 0.1% of GDP.

Trade balance recorded a surplus of €225mn, which is not an outstanding result for January – las year the surplus in January was twice as big. Both exports and imports accelerated visibly (to 13.8% y/y an 16.0% y/y, respectively), which was also quite easy to predict given the positive calendar effect (two working days more than in 2016) as well as positive results of the industrial output and retail sales. In the following months, foreign trade volumes will not rise so quickly, but the improving economic climate in the euro zone and strong domestic demand should secure an acceleration of growth versus 2016.

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In general, data balance of payments data should be supportive for the zloty in the short run, as the surplus was clearly above the market consensus (at about €300bn). However, the release did not change the economic growth prospects. According to our estimates, impact of net exports on GDP growth will be neutral this year, similarly as in 2016.

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