

Economic Comment

Employment slows down, housing market stays strong

Grzegorz Ogonek, +48 22 534 19 23
grzegorz.ogonek@santander.pl

Marcin Luziński +48 22 534 18 85
marcin.luzinski@santander.pl

September corporate sector data on employment showed growth of 3.2% y/y while we and market consensus expected it to stay at 3.4%. In m/m terms we saw a decrease by 4.2k, which is the weakest result for September since 2012 and expresses the tightness of the labour market. This is the third negative surprise in employment data in a row. Wages also showed the third negative surprise in a row, slowing down to 6.7% y/y. In September the supply side on the real estate remained solid. The number of dwellings completed and building permits stayed near all-time highs, the 12-month sum of housing starts and buildings under construction are highest ever.

Wages and employment weaker than expected three times in a row

September corporate sector data on employment showed growth of 3.2% y/y while we and market consensus expected it to stay at 3.4%. In m/m terms we saw a decrease by 4.2k, which is the weakest result for September since 2012 (when Polish economy was close to the cyclical trough, while now it is still close to the peak). This is the third negative surprise in employment data in a row. The slowdown in y/y employment growth has started in July and expresses the tightness of the labour market, with historically high share of vacancies among newly created jobs reported for 2Q, and record low unemployment.

September wage growth at 6.7% y/y was also weaker than expected (market consensus 7.1%, our forecast 6.9%) and weaker than the previous result (6.8% in August). This is also the third negative surprise in a row. We should be observing acceleration of wages by now, given the scale of problems with finding new employees. Some justification for the delay is the base effect as wage growth was trending up in the course of 2H17.

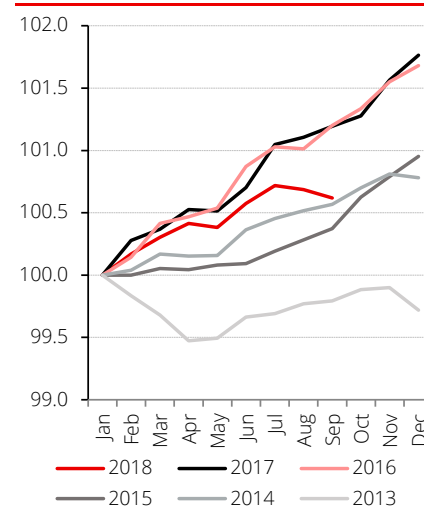
Housing market is still growing

According to Stats Office, in September the supply side on the real estate remained solid. The number of dwellings completed and building permits have been stable near their all-time highs for several quarters already. Moreover, the number of housing starts is on the rise and the 12-month total is at the record high (219k), as are the buildings under construction (798.5k).

According to Bank for International Settlements, in 2Q18 the average prices of apartments in big and medium cities rose 8% y/y leading to lower sales volumes. According to REAS, in 2Q18 15.6k of apartments were sold in the biggest cities, vs 17.6k in 2Q17. Higher prices are mostly an effect of the strong demand for housing, driven by strong labour market and inflow of immigrants. Stabilisation of building permits suggests that supply of new flats will level off in the upcoming quarters, which can be an additional support for prices.

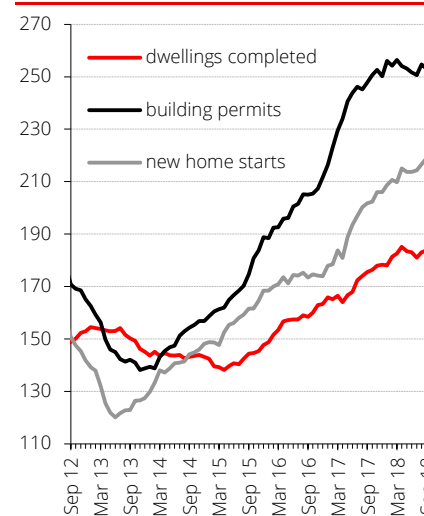
Since the start of the year, the wage growth is no longer stronger than growth rate of housing prices, so financial affordability of flats stopped improving.

Employment in the corporate sector (Jan=100)



Source: Stats Office, Santander Bank Polska

Housing market tendencies (12M moving sum, thousands)



Source: GUS, Santander Bank Polska

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: skarb.santander.pl
Piotr Bielski + 48 22 534 18 87
Marcin Luziński + 48 22 534 18 85
Grzegorz Ogonek + 48 22 534 19 23
Konrad Soszyński + 48 22 534 18 86
Marcin Sulewski, CFA + 48 22 534 18 84

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>.