

Economic Comment

More job losses, consumers much less scared

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Poland's labour market statistics for May were roughly in line with expectations: employment declined further, but at a slower pace than in April (-1.4% m/m vs -2.4% in the previous month), and wage growth eased to 1.2% y/y from 1.9% y/y. We expect June statistics to see some rebound on the labour market. Meanwhile, consumer confidence improved markedly, but remained way below pre-covid levels.

Labour market kept worsening in May...

As we have already written, the declines in employment are only partly due to layoffs (in the April data we estimated layoffs to constitute only 1/3 of the total m/m employment drop), and are more connected to the shortening of worktime by employers. In the following months the structure is likely to be changing towards higher share of layoffs, we need to see GUS Statistical Bulletin first to tell how it was in May.

In May and June many Covid-related restrictions were removed so we expect that June will see some improvement in employment and wages, but in our view the return to pre-pandemic growth will be slow and the loss of incomes by households will lead to poor private consumption in this and the coming quarters.

... but the sentiment improved in June

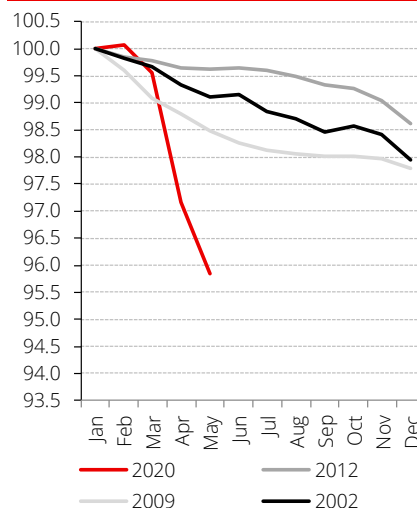
In June Polish consumer confidence improved significantly in all aspects. The aggregate indexes covering current situation and expectations which in April dropped to the lowest levels since 2004, have returned to levels seen normally during the business cycle, and are now the lowest since 2014.

Expectations about future own financial situation and economic situation in Poland improved more than the respective current situation measures and are now almost equal to them. Major purchases index has also rebounded from a freshly set all time low to levels somewhat above the lows reached during the global financial crisis and Poland's 2013 slowdown, the same can be said about the measure of unemployment fears.

The additional questions on Covid-19 also show that the initial panic reaction is gone by now with the share of seriously worried about their health due to the pandemic down to <25% from >50% two months ago and the share of seriously worried about their financial situation down to 20.7% from 29.3% in May and 44.4% in April. Still, almost 17% think it is likely or highly likely they will lose a job because of the pandemic, compared to c20% a month ago.

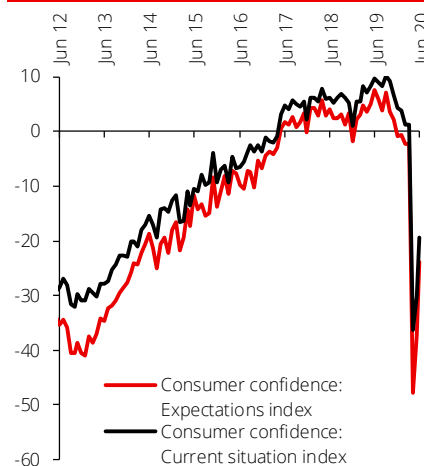
The June consumer confidence report seems in line with the removal of Covid restrictions and many people quickly returning to their old social habits. The side effect is that Poland's daily infections curve has been on the rise and setting new highs lately.

Employment in "crisis" years, Jan=100



Source: GUS, Santander

Consumer confidence



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