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Economic Comment

Labour market data above expectations

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December labour market statistics surprised to the upside. Employment in the corporate sector rose by 0.2% m/m to -1.0% y/y (our forecast and consensus at -1.1% y/y), while wages accelerated to 6.6% y/y from 4.9% y/y November and hit the highest pace since February (our forecast and consensus at 4.7% y/y). We are expecting the labour market to be improving over 2021 with average wage growth above 2020 pace, which will build solid fundaments for a rebound in consumption. In January consumer confidence remained worse than in 3Q20, between the Covid waves.

Employment up thanks to reopened malls?

Employment climbed by 10k in monthly terms and this is a quite good result for December. Our guess is that it was driven mostly by retail trade, as shopping malls were temporarily reopened on 28 November. We are also expecting a robust performance of manufacturing.

Wages with a major positive surprise

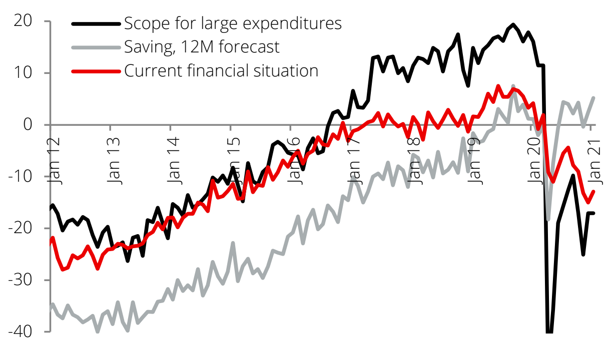
Especially the high wage growth comes as a big surprise. Surely there was a positive working day effect in play (+2 y/y), but we assume also some one-off bonuses were disbursed. Detailed sectoral numbers will be released by GUS on 27 January, so we do not which sector was responsible, but remarks in the GUS comment on year-to-date wage growth suggest a major acceleration of wages in restaurants and accommodation to about +6-7% y/y from -0.8% y/y in November. This development is really astonishing given that the sector is still locked down, but anyway the sector is too small to explain the jump in the headline number. That having said, we are expecting the labour market to be improving over 2021 with average wage growth above 2020 pace, which will build solid fundaments for a rebound in consumption

Consumer confidence – focus on saving

In January consumer confidence did not change much: current situation index remained depressed, much below the levels seen in 3Q between the Covid waves albeit better than in spring. Expectations index was a bit less negative m/m, but also worse than in 3Q.

Current own financial situation was seen as slightly better m/m but the reading is still the worst recorded between mid-2015 and Oct-2020. On the other hand the assessment of economic situation deteriorated and is the worst since spring 2013. Consumers continued to indicate high preference to save (the second highest reading since the start of the survey in 2004). Attitude towards major purchases remains close to the level seen during the previous economic troughs.

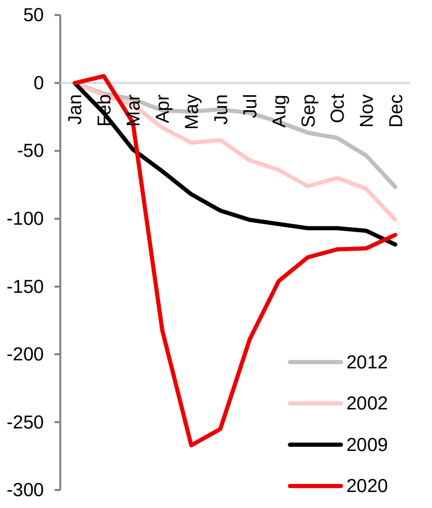
Selected consumer confidence indicators



Source: GUS, Santander

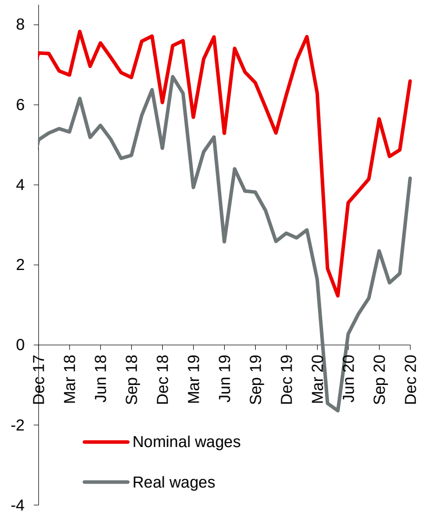
Indicators of perceived Covid threat levels to one's health, financial situation and everyday life of the local community remained flat m/m and slightly below November readings. The share of highly worried about losing a job or closing a business due to

Employment – change vs January, thousand



Source: GUS, Santander

Wage growth, % y/y



Source: GUS, Santander

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Covid eased further in January to 5.6% from 11.5% in November, the share of respondents considering it a possibility fell to 20.6% from 25.5% in this period.

We believe consumer sentiment may be stuck at a low level or at best rising cautiously until vaccinations cover a significant share of the population.