

Poland: Solid labour demand, wages yet to accelerate

Wage growth in March remained solid but continued to underperform counterparts in Central and Eastern Europe. We expect earnings growth to reach double digits in 4Q18, as labour shortages mount. Given the low transition of wages into consumer price inflation, the data is neutral for the central bank



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Wage growth set to accelerate in 2H18

Wages in March expanded by 6.7% year-on-year, slightly slower than a month earlier (6.8% YoY) but above the consensus (6.5% YoY). Employment continued to expand by 3.7% YoY (as widely expected). Detailed data on the wage structure will be published within the next two weeks.

The somewhat disappointing rise in wages reflects limited price pressures among the largest companies (i.e. Orlen and KGHM) – planned wage increases were lower than the enterprise sector average. Moreover, wage increases among retailers were insufficient to add to the momentum after a solid 2H17. Nonetheless, we expect earnings growth to accelerate in the coming months, reaching double-digits in 4Q18. Labour shortages continue to mount, while local companies are

forced to tap into relatively non-typical labour pools (such as Georgia), as the inflow of workers from Ukraine may slow.

6.7%

Wage growth (YoY) in March

Solid, set to accelerate further

As expected

But not a concern to the MPC

Wages in Poland continue to underperform CEE counterparts – i.e. in the Czech Republic, earnings are expanding at over 13% YoY – sheltering local competitiveness. Labour shortages are relatively less severe compared to Poland's neighbours, partially due to the inflow of migrant workers. Poland also decided not to introduce strong hikes either in minimum wages, or in the public sector earnings (unlike Romania and Hungary).

The transition of wages into core CPI remains weak, even in services. Therefore we expect the MPC to refrain from monetary tightening even as earnings growth reaches double digits. Consequently, we expect a single rate hike by the end of 2019, conditional on ECB hiking beforehand.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

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