

Labour market data showing signs of a wage-price spiral in Poland

Monthly data confirm that the labour market is tight and wage growth is entrenched at double-digit levels. Soaring consumer prices translate into wage demands that are often met by employers, as the bargaining power of employees is strong amid shortages of labour



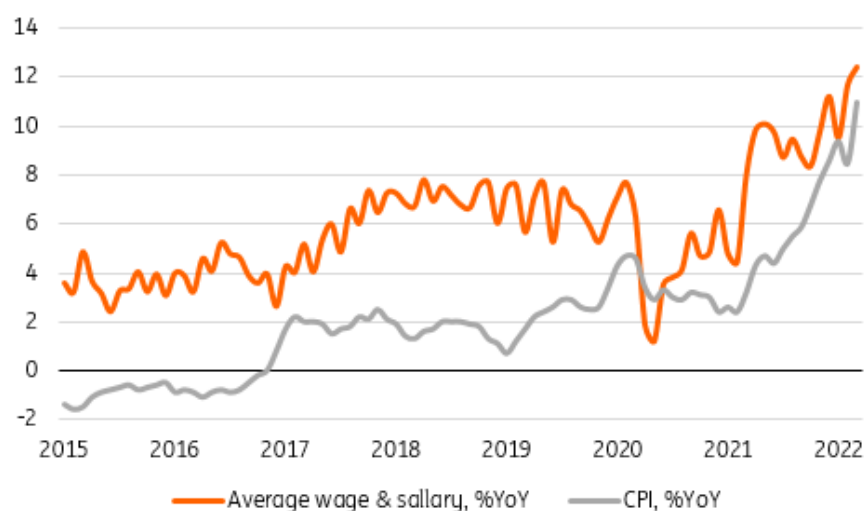
In line with market expectations in March employment in enterprises went up by 2.4% year-on-year, whereas average wages increased by 12.4% YoY, ie, at a pace close to our forecast (12.8% YoY) and above market expectations (10.4% YoY). In both cases the readings were higher than reported in February (2.3% YoY and 11.7% YoY respectively).

March wages show wage-price spiral has already materialised

March figures confirm tensions that have been prevailing on the labour market for a quite some time. Surveys point to high labour demand, which translates into high and rising wage growth. Even though some 2021 bonuses were paid in advance, ie, in November-December last year in order to avoid changes in personal income taxes, the wage growth at the beginning of 2022 remained strong. March is second month in a row when month-on-month wages growth strongly exceeded typical seasonality. We think this is evidence of strong employees bargaining power and

that the wage-price spiral has already materialised.

Both wages and consumer prices grow at a double-digit pace



Source: GUS

Employment stays resilient despite thousands of Ukrainian joining army

In April we shall see a more clear impact of the war in Ukraine on the Polish labour market. Several sectors (construction, transport) reported outflows of Ukrainian males who returned to their homeland to defend it. But the March employment data doesn't show that effect yet. The MoM employment growth stayed 0.1 percentage points above typical seasonal patterns (in previous months it was 0.2pp above the seasonal pattern). So the data tell us that Ukrainian employees are rather on leave than permanently leaving their posts. The effective supply of labour in some industries declined anyway. The demographic structure of refugees from Ukraine (women with children, elder people) do not allow for filling the gaps in certain important sectors of the economy. According to the latest available data, about 70,000 people took a job on the basis of simplified procedures.

Strong demand for labour amid elevated CPI inflation and high inflationary expectations pave the way for double-digit wage growth in the coming months. Businesses have no problem with passing higher costs onto consumers so the wage-price spiral will keep CPI inflation elevated despite some counteracting measures (cuts in indirect taxes).

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