

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



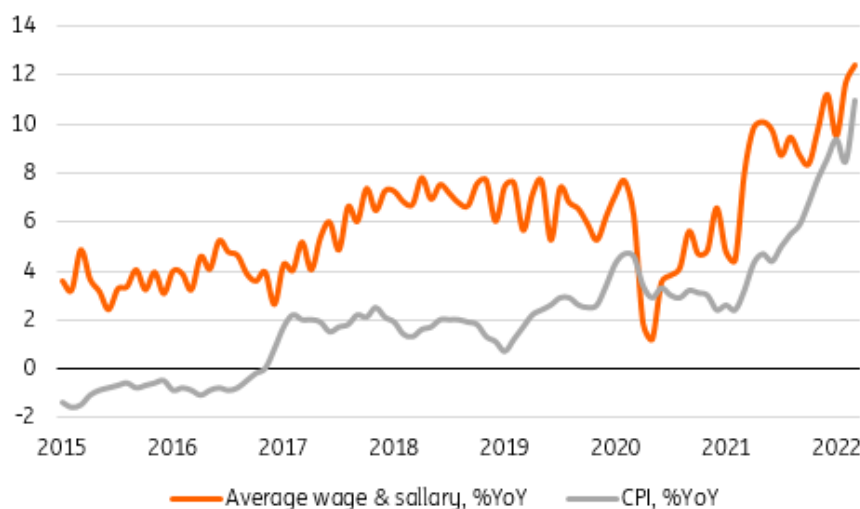
In line with market expectations in March employment in enterprises went up by 2.4% year-on-year, whereas average wages increased by 12.4% YoY, ie, at a pace close to our forecast (12.8% YoY) and above market expectations (10.4% YoY). In both cases the readings were higher than reported in February (2.3%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

Authors

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.