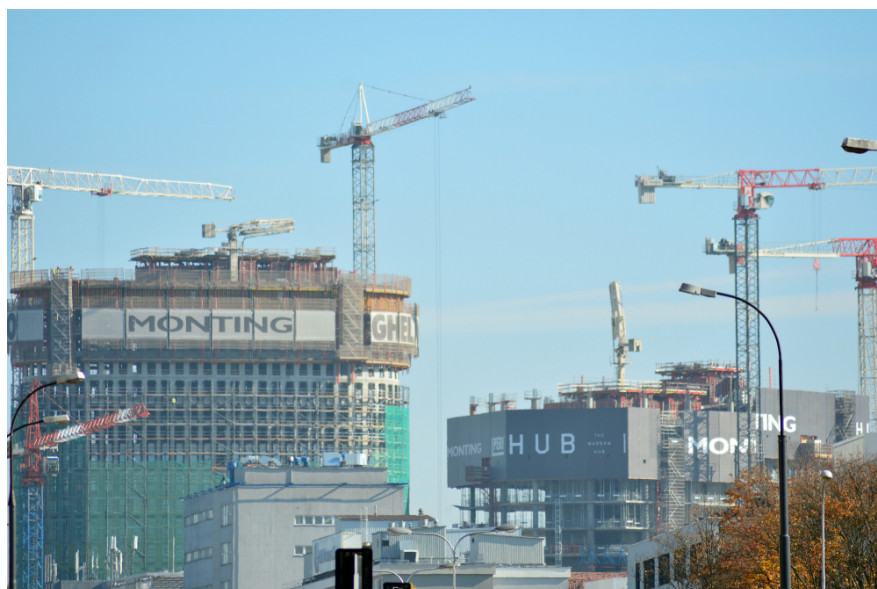


Poland: Disappointing labour market data in April

Both employment and wages came in below expectations. But the real test for the labour market will happen in the summer when job protections end



Construction of the 'Warsaw Hub', Poland

0.9%

April employment in enterprise sector (YoY)

Consensus at 1.1%

Lower than expected

April employment in the enterprise sector was only 0.9% higher than a year ago, compared to the consensus of 1.1% YoY. This is the second consecutive month of falling employment in nominal terms (by 13,000 in April, by 5,000 in March). We attribute this trend to the third wave of Covid-19. Many employees were quarantined or were taking care of their children during the closure of nurseries and schools.

The real test for employment, however, will come in the summer months, when job protection

mechanisms from anti-crisis measures (PFR financial shield) will fade. Companies that are not able to return to financial health after the pandemic will be forced to make layoffs. In our opinion, the economic recovery will prevent unemployment from rising again, but the risks are there.

Wage growth disappointed to a lesser extent with a 9.9% YoY reading for April compared to the 10.3% YoY consensus and overall shows very strong momentum (only partially due to base effects). We think that manufacturing was leading the trend, as was the case in March. This sector wasn't affected by economic restrictions and has benefited from a shift in consumption patterns (less services, more durable goods) and from strong demand from abroad. We believe that high wage growth (around 10% YoY) will continue in the coming months, at least, this is shown by the examples of countries that unlocked their economies earlier than Poland (UK and the US) and where the wage dynamics are surprising on the upside.