

## Further signs of weakness in the Polish labour market

Average wages in the corporate sector increased by 10.4% year-on-year in July, weaker than in June (11.9%) and slightly below expectations (10.9%). While this largely reflects base effects, employment remains lacklustre, suggesting mounting pressures in the labour market



The slower growth in wages mostly reflects the high base from July 2022, when a number of industries (particularly mining) paid high bonuses. This July, the difference between total salaries and without-profit payments is small (more than twice as small as a year ago). According to press reports, mining paid high bonuses again, suggesting that other industries must have performed poorly.

However, the effects of the weakening labour market can be seen in employment. In the corporate sector, it grew by just 0.1% year-on-year in July (in line with the consensus), compared with 0.2% the month before. This represents an increase of around 1,000 jobs compared with June, and in comparison to around 3,000 and 11,000 jobs during the previous two years. The weaker situation continues to be seen particularly in manufacturing, which is probably linked to the generally weak condition of these industries in Europe (especially Germany). Since February (this year's peak in

manufacturing employment in Poland), the sector has cut 9,000 jobs out of 13,000 in the corporate sector over this period.

However, low employment growth is largely the result of worsening labour supply. This is due to both an ageing population and a potential outflow of refugees from Ukraine. We, therefore, expect the registered unemployment rate to remain low (5% in July) and wages to maintain double-digit growth in the coming months. This, combined with falling inflation, will support a gradual rebound in domestic consumer spending and, consequently, in overall GDP after a weak first half of the year.

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