

Snap | 19 July 2021

## The labour market tightens in Poland as wage pressures rise

Both employment and wages in the business sector maintained strong momentum from a month ago, proving that economic recovery in Poland remains robust



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Employment in the business sector grew by 0.3% month-on-month in June, at the same pace as the month earlier. This is faster than the consensus and our forecast of 0.2%MoM.

May was the first month after significant easing of Covid-19 restrictions and opening of the economy. We expected the hiring to peak instantly and fade in the following months. Apparently, the strength of the economic recovery was sufficient to maintain high employment growth for at least two months in a row. The labour market is already relatively tight as unemployment is set to fall lastingly below 6% this month.

In June, wage growth (9.8%YoY) was also above consensus (9.5%YoY) and only slightly lower than a month earlier (10.1%YoY) when it was significantly boosted by low base effects. This means that wage pressure in Poland is building even though the job protection mechanism from PFR Financial Shield – anticrisis support granted to companies a year ago – started to fade in June. The bargaining power of employees remains strong, heralding high wage growth at least until the end of the year. It also implies higher inflationary pressures.

The chances of CPI returning permanently below the upper range of the central bank's inflation target (3.5%) next year have diminished further. This increases the likelihood of earlier than expected monetary policy normalisation in Poland.

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