

Poland: Labour market receives another boost

Wages in the enterprise sector (firms employing 9+ workers) grew by 4.1% year-on-year in August, more than expected (3.8% YoY), mainly due to companies paying bonuses again. Employment has recovered to -1.5% YoY from -2.3% a month earlier. This reflects an improvement in economic sentiment among businesses



Source: Shutterstock

Companies return to full working hours

As a first reaction to the Covid-19 lockdown, Polish companies reduced working hours of their employees or put them on downtime. Simultaneously, some workers took time off to care for their children as schools closed and received funding from an extended nursing benefit. Both effects have reduced employment in the enterprise sector by 3.1% compared to the pre-pandemic level. However, employment in the whole economy declined by 7% YoY in 2Q, according to the Labour Force Survey. From June, however, companies started to return to regular operations and reinstated full-time work. This reduced the employment drop to -1.5% YoY in August.

We worry, however, that this improvement in labour market conditions will halt in late autumn.

Two factors might contribute. Firstly, the domestic tourist sector (including hotels and restaurants) benefited from Poles spending holidays in the country. In the autumn, this boost will end and the lack of business travellers will weigh on revenues. Moreover, companies which benefited from various anti-crises measures are obliged to keep jobs open for 6-12 months. In the autumn, this safety net will start to fade away.

Improvement of expectations allowed companies to pay bonuses

Wages in the enterprise sector accelerated to 4.1% YoY (from 3.8% YoY in July), clearly above the consensus (3.8% YoY) and our pessimistic forecast (3.3% YoY). We expected companies to cut bonuses and rewards citing Covid-19 as an excuse. Meanwhile, according to the Statistics Poland announcement, companies did the opposite – increased such benefits to some extent. This suggests that they not only feel the improvement in the current economic situation, but also expect better prospects for the future. These prospects are justified by better readings of recent macro data. Therefore, we recently decided to revise our GDP forecast for 2020 up from -4 to -2.9% YoY.