

## Poland: Labour market warning signs

In January, average wages in the corporate sector rose 4.8% year-on-year compared to a 6.6% YoY increase in December and the consensus at +4.6% YoY. Employment fell by 2.0% YoY in the corporate sector, while the consensus expected a 1.1% decline



# +4.8%

Higher than expected

Wages in the corporate sector in January (YoY)

Consensus at +4.6% YoY

The markedly lower YoY rate of wage growth in January compared to December was the result of a 3.1% YoY drop in wages in the “accommodation and catering” sector and a 2.0% YoY drop in “recreation, entertainment and cultural activities”. These are the areas worst affected by the prolongation of restrictions related to the pandemic. Also, December 2020 wages were lifted by bonuses and retirement severance pay, which was not seen in January.

-2.0%

## Employment in the corporate sector in January (YoY)

Consensus at -1.1% YoY

Worse than expected

The significantly worse employment figure is due to two factors. The first is related to the annual update by the Central Statistical Office (CSO) of the sample of surveyed enterprises. The message coming from this update contrasts with the benign picture of the labour market in the second half of 2020 (we have seen systematic growth of jobs in month-on-month terms). The second factor behind the poor employment reading is the extension of the tight lockdown restrictions in January. This resulted in the termination and non-renewal of fixed-term contracts in January, following an earlier increase in demand for seasonal workers when shops reopened in December.

As a result of both factors, the January employment figure was down by 14.5k MoM or 0.2% MoM. This contrasts with the typical seasonal pattern, which sees January employment rise by 1.4% on average (in January 2020 it was +45k, 0.7% MoM).

The strong technical nature of the January sample adjustment prompts us to be careful in its interpretation. In good times, the number of firms meeting the condition over nine employees grows strongly, hence January usually sees strong MoM employment growth. In a downturn, this effect is weaker, so January employment growth is smaller, but still shows growth. In January 2021, employment decreased. The last time this happened was in 2004, when the labour market was significantly weaker. We treat this data with caution due to its highly technical source. Nevertheless, it serves as a warning sign that the adjustment of employment in the face of prolonged lockdowns may take some time in the first quarter or first half of 2021.

Winter and early spring are expected to be weak for the labor market, with the second half of the year much better. Final full-year employment momentum will depend on the pace of the opening and then the rebound of the economy, particularly in the most vulnerable sectors.

We remain optimistic in terms of wage growth this year.

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