

## Wage growth sharply down in Poland

A big decline in wage growth in Poland has surprised many. An upcoming hike in the minimum wage, due in January, could well be affecting wage structure; changes in the labour market could also be responsible



People shopping in Katowice, Poland

Wage dynamics in Poland's corporate sector decelerated from 5.9% to 5.3%YoY, below market expectations (5.9%). These negative wage surprises are presumably down to the following:

1. The strong minimum wage hike in January 2020 (15.6%) may result in some firms freezing or postponing hikes. The rise in the minimum wage will impact not only those on such a base salary but also those with relatively low incomes as companies attempt to maintain their wage structure.
2. We see a worsening situation on the labour market altogether – companies are limiting both new job postings and their future hiring plans, according to GUS surveys. This should weaken overall wage growth in the coming months.
3. November figures are often distorted due to mining sector contributions.

We expect the January minimum wage hike to boost the overall average dynamics by 1.5pp. to approximately 7.5%YoY in 1Q. However, in the following quarters, overall dynamics should subside given the downtrend on the labour market. Also, another strong minimum wage hike, due for

2021, may again trim the willingness to hike wages next year for similar reasons.

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