

Polish wages recover but not jobs

Poland's labor market figures surpassed expectations in June, both in the case of wages and jobs. While the government's anti-crisis measures should prevent a deeper contraction in jobs, wages are likely to decline in late 2020 and early 2021 as companies are unlikely to pay bonuses this year



Source: Shutterstock

Earnings in the business sector accelerated from 1.4% year on year in May to 3.6% YoY while the consensus was 1.2%.

Still, this is a far cry from the pre-crisis levels, which was around 7.0% in 1Q and now it is just above inflation which is at 3.3% YoY. We expect wages to deteriorate again to around 1.5% YoY in late 2020/early 2021. Bonuses are included in the numbers but those are unlikely to be paid for 2020.

Jobs in the enterprise sector declined by 3.3% YoY, significantly above the consensus (-3.9%). Still, the estimates were particularly pessimistic after the dire reading last month (-3.2% YoY, well below the consensus back then).

Low employment dynamics suggests that companies are not creating new jobs and are only bringing existing workers back. The drop in employment is unlikely to significantly deepen in the following months as access to the government's support measures requires companies to maintain jobs.

The unemployment rate is expected to increase to around 8% by the end of the year. Many employees do not benefit from protection under regular labour contracts (i.e. the self-employed). Some companies, particularly the export-oriented ones, will be forced to reduce headcount, even if it means paying back public funds as they are facing low demand.