

Poland: Robust labour market before second wave

Wage growth of 5.6% year-on-year surprised on the upside, but it might have been driven by severance payments. The labour market statistics will likely deteriorate in the fourth quarter due to the second wave of Covid-19 and social distancing measures



What went down today?

September marked the end of the first 'V' of the 'W'-shaped recovery in Poland following the first wave of Covid-19. The labour market data confirmed this. Wage growth was surprisingly strong at 5.6% YoY compared to 4.1% YoY a month before and the 4.3% consensus (our forecast was 4.6%). However, employment in the enterprise sector has further closed the gap from its pre-pandemic levels, standing at -1.2% YoY in September from -1.5% YoY in August. This was close to the consensus and our expectations (-1.1 and -1.0% YoY, respectively).

5.6%

Wage growth in Polish enterprise sector (YoY)

Better than expected

The looming risks

The Polish labour market has been relatively mildly affected by the Covid-19 pandemic, partially due to generous anti-crisis measures, with job protection attached. Registered unemployment has risen by only 0.8 percentage points (to 6.1%) so far, half of which can be attributed to seasonal factors. However, strong labour market statistics should not obscure negative forces running in the background. The strong rebound of wages might be partially driven by severance payments. Companies are known to be releasing employees with pension rights and are opening voluntary departure programmes. This should result in a lower rate of labour market activity.

Another threat to the Polish labour market and economy in general is a second wave of Covid-19 which has just resulted in social distancing restrictions. They are relatively mild so far (schools, shops and restaurants are still open), but we expect them to expand. This will negatively impact employment and wages in the hospitality, sport, culture and recreation sectors. Thus, in the fourth quarter we expect another decline in activity though we expect it to be much shallower than the first one. In our forecasts we have assumed that the resulting slowdown of GDP in 4Q should reach only one sixth to one third of the slump observed in 2Q. GDP growth for all of 2020 will fall between -2.9 to -3.5% YoY.