

Little change in Poland's employment numbers but wages remain high

Average employment in the enterprise sector declined by around 6,000 in September, likely reflecting weaker demand in manufacturing. Wage growth remained in double-digits though, allowing for a further rise in real terms. The trend should continue into 2024, which is good for consumption but bad for persistent core inflation



People in Warsaw, Poland

Average employment in Poland's enterprise sector in September was unchanged on an annual basis (in line with the consensus) from the previous month. There was, however, a decline in employment in Month-on-Month terms by around 6,000. Despite the weak economy, we see no signs of mass layoffs, and companies are 'hoarding' employment, at least for now; they are concerned about workers' availability in the future. This is most likely related to the limited personnel supply due to the decline in the working-age population and the departure of some immigrants.

For months, the situation has been weakest in manufacturing. Furniture manufacturing stands out in particular, which probably felt a strong deceleration in the housing market after rate hikes from both the Polish central bank and the ECB. However, the rebound in demand for mortgages due to government support gives hope for an improvement at the turn of the year. On the positive side,

some service industries stand out, particularly lodging and food service, likely still benefiting from the recovery in pandemic demand and the population rise following the rise in Ukrainian refugees and exports to the country.

In September, average wages in the enterprise sector rose 10.3% YoY (very close to our 10.2% forecast, with a consensus of 10.8%), following an 11.9% YoY increase in August. The slowdown in wage growth most likely reflects a higher base and fewer working days than in September 2022 (which lowered piecework wages).

The minimum wage will increase twice in 2024 (by a total of about 20%), which, especially in service industries, forces an adjustment of the entire wage structure for those earnings above the minimum. This, combined with the still generally good condition of the labour market, suggests that double-digit wage growth will also continue next year. This allows for a further rebound in consumption but has negative consequences as far as persistent core inflation is concerned.

Authors

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.