

## 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.

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