

Poland: Solid labour market supports bounce back in spending

A rebound in real wages and relatively stable employment are great starting points for a recovery in household spending. Economic growth in 2024 may reach around 3% on the back of both private and public consumption. The pro-inflationary structure of GDP may encourage the MPC to keep rates unchanged in 2024



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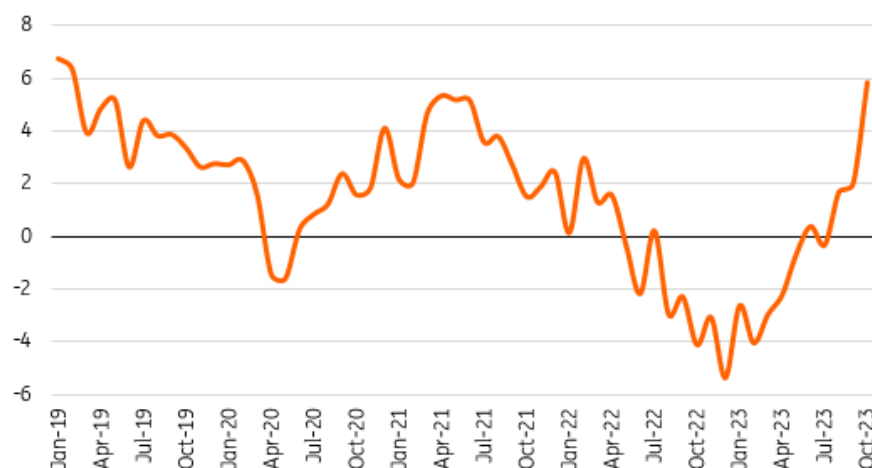
Average wages and salaries in the enterprise sector rose by 12.8% year-on-year in October (ING: 13.0%; consensus: 11.7%), following an increase of 10.3% YoY in September. Higher annual wage growth than the previous month was a consequence of a more favourable pattern of working days and bonus payments. Average paid employment was slightly lower (-0.1%) in October than in the corresponding month of 2022 (ING and consensus: 0.0% YoY). Compared to September, the number of posts was down by 2,000 and this was the third month of decline in employment levels, albeit still on a modest scale.

In real terms (after adjusting for the rise in consumer prices), average wages increased by 5.8% YoY showing the strongest increase since February 2019. Elevated wage pressure will be visible in the medium term amid an increase in the minimum wage, record-low unemployment levels and

a reviving economy. Slightly lower inflation may act to moderate wage expectations. The recovery of real disposable income with relatively stable employment provides a good springboard for a rebound in consumption, which will be the main growth engine of the Polish economy in 2024. GDP growth in 2024 could be close to 3%.

Real wages and salaries in enterprises, %YoY

Rebound in real wages to support consumption



Source: Source: GUS, ING.

The recovery and relatively pro-inflationary structure of GDP growth in 2024, with consumer demand dominating, may be an argument for the Monetary Policy Council to keep interest rates unchanged in the coming months. Unless the National Bank of Poland's March projection signals a faster return of inflation to target, interest rates may remain at the current level (the main policy rate at 5.75%) until the end of 2024.

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