

## Poland: Solid wage growth in January, boosted by hike in the minimum wage

Wages in the corporate sector increased by 13.5% year-on-year in January, up from 10.3% in December and higher than the consensus of 12.7%. Average employment came below expectations (1.1% vs 1.8% YoY), but that may reflect a change in the sample by the statistical office



Wages in the corporate sector are up by 13.5% year-on-year

High wage growth in Poland is likely being driven by the 15.9% increase in the minimum wage this year (from PLN3010 to PLN3490). This directly bumped up the lowest wages, but one can also assume that companies adjusted the entire wage structure. The increases (also linked to increases related to inflation, amongst other things) are expected to be stretched over the first few months of this year. However, wage growth has remained below inflation for months. This is most likely the main reason why we are seeing weakness in household spending, in addition to, for example, the deterioration in household sentiment or the rise in interest rates. This situation is unlikely to change until the second half of the year.

Weaker-than-expected employment growth may be due to reasons other than the weakening economy. Employment data in January strongly depends on the change in the sample of companies surveyed by the Central Statistical Office of Poland (CSO). At the beginning of the year,

the CSO updates its sample of companies employing nine or more people, causing employment levels to adjust by leaps and bounds. Moreover, refugees from Ukraine employed under special contracts do not appear in the data. According to government estimates, the number of such people, employed since the beginning of the war, may already be approaching a million. Detailed data on employment by industry are not yet available. However, it is likely that trends seen in previous months have continued. After a successful first half of 2022, prosperity in a number of manufacturing industries deteriorated. This can be seen in housing-related sectors such as furniture manufacturing, among others.

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