

Poland: Stable wage growth, weak construction output

Although wage growth increased in December, the major impulse should still come with a hike in minimum wage next month. Construction output disappointed, with contraction for a third consecutive month



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Wage growth

Corporate sector wage growth recovered from 5.3% YoY to 6.2%, slightly above market forecasts (6.1%). This is still lower than in 3Q, when growth exceeded 7%. Recent data from November showed weaker performance from industry and from construction. We do not expect major changes in the sector backdrop in December (there will be a full breakdown next week).

In January, wage growth will be lifted by a 15.6% hike in the minimum wage. This policy action should boost overall wages dynamics by 1.5ppt and also result in broader hikes, not only for those employees at the minimum wage. Businesses want to maintain competitive wage structures in order to avoid unnecessary staff turnover and so employees earning above the minimum wage are also likely to see wage increases. We forecast a return in wage growth towards a 7.5% YoY average in 1Q20. The coming months should bring stabilization or a slight

deceleration in wage growth to a level near 7% YoY. We think the generous administrative pay rise and the slowdown in GDP should account for some of further earning potential that companies have.

Construction output

The statistical office (GUS) also published construction sector data – In December this sector contracted by 3.3% YoY while market consensus had expected a 1% expansion. This soft reading reflects positive calendar effects and a warm winter. GUS highlighted low output from building construction (-8.5% YoY), notably in the real estate sector. Infrastructure investment was also weak but growth here remained positive, at 0.5% YoY.

The outlook for the infrastructure sector is still gloomy. Utilization of EU funds peaked last year, suggesting weaker investment growth in 2020. We estimate that overall investment dynamics slowed from 4.7% to 1.5% YoY in 4Q19 and any imminent rebound is unlikely. Weak construction performance offers downside risk to our 3.7% GDP growth forecast in 4Q.

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