

## Polish wage growth disappoints

Despite wage growth coming in lower than all forecasts, we think this slowdown is only transitory



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In June, Polish wages decelerated from 7.7% to 5.3% year on year, considerably below the market consensus of 7.2% and our forecasts of 6.7% YoY. We think slowdown is transitory, and here are a few reasons why.

First of all, statistical effects subtracted approximately 1 percentage point. For example, we think the construction and trade sector possibly made lower contributions – both sectors accelerated strongly in 2018, but now wage increases are much more modest. Secondly, the eurozone slowdown probably trimmed wage growth in automotive and transport sectors.

According to the central bank's survey, the share of companies considering an increase of salaries stood at 30% in 3Q, 10pp higher compared to 2018. We estimate such level tends to be consistent with overall dynamics at 7-8%YoY.

Also, we see no signs of labour demand deterioration. Employment in the enterprise sector actually accelerated from 2.7% to 2.8%YoY, above the market consensus of 2.6%.

The National Bank of Poland survey shows stable hiring expectations compared to previous

quarters. Also, the European Commission survey shows there are no major changes with labour shortage in Poland (approximately 50% of manufacturing entities report that), while other economies in the region report easing pressure with the exception of Hungary.

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