

Poland: Strong employment but wage growth subsides as July spike fades

In August, employment in the corporate sector rose 2.4% year-on-year as expected, up from 2.3% in July, underlining strong labour demand. However, wages were weaker, rising 12.7% YoY (consensus 13.9%), following a string of hikes and bonuses which brought growth to 15.8% YoY in July



Inflation is outpacing wage growth in Poland

The lower year-on-year wage growth in August likely resulted from fewer wage hikes, bonuses and inflation benefits, which boosted the July figure. Those pay increases were primarily seen in the mining, energy and forestry categories. Some companies likely waited to boost pay until the personal income tax reduction took effect in July. As those effects faded in August, wage growth again fell below inflation (16.1% YoY). Companies may also be limiting salary increases in anticipation of a strong increase in the minimum wage next year (in January and July). As a result, for the last four months, wage growth has only outpaced inflation in July. The impact of this has been reflected in disappointing retail sales data, where there has been a clear decline in demand for durable goods, among other things.

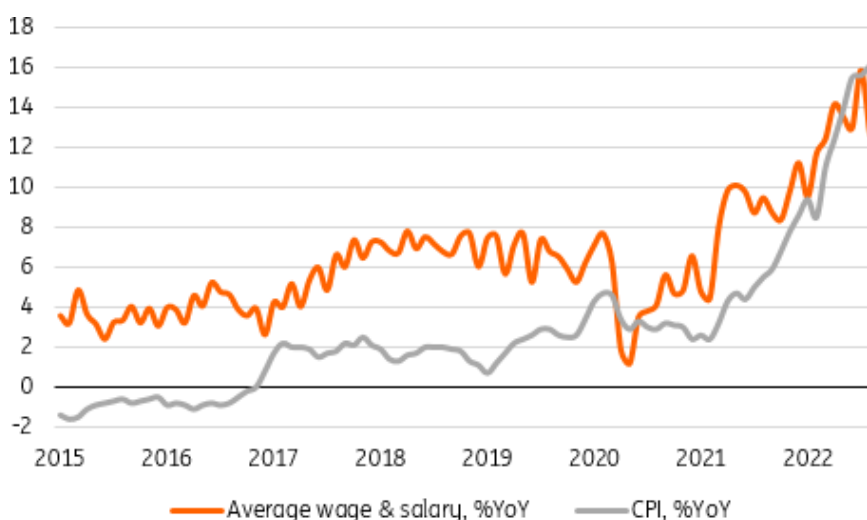
However, the overall health of the labour market remains good. Labour demand is strong despite growing refugee employment (now over 400,000 of those coming after 24 Feb). These people are most likely largely unaccounted for in the statistics (only full-time employees are counted),

indicating that the number of jobs being created is impressive. Strong labour demand suggests continued high wage pressure in the months ahead. However, it may slow temporarily in the second half of the year as companies prepare for the 20% minimum wage hike in 2023. We assume some stabilisation in annual wage growth before the end of 2022 but a 20% increase in the minimum wage is likely next year despite the economic slowdown.

Strong growth in the wage bill (taking into account the hiring of Ukrainian workers) is outpacing labour productivity. Along with the government's expansionary fiscal policy, this is another argument for keeping inflation stubbornly high.

Real wages in decline

CPI and nominal wages (YoY)



Authors

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.