

## Poland: Strong industry and labour market in early 2022

January industrial output rose by 19.2% year-on-year, above forecasts (ING: 17.3%, consensus: 14.3% YoY), driven by strong internal and external demand. Energy production remained very strong as high natural gas prices prompted a switch to coal. Labour market conditions call for a wage-price spiral

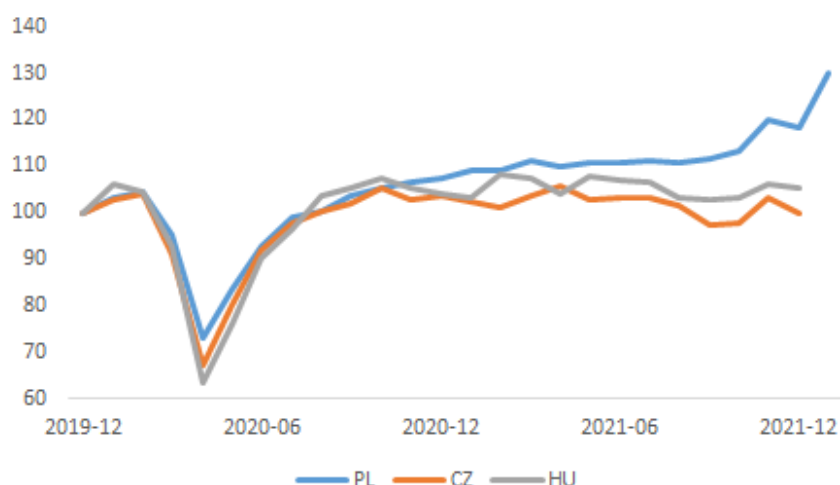


Thermal power plant in Wrocław, Poland

The data confirms strong manufacturing activity, as suggested by a significant rise in new orders (e.g. in PMI). Manufacturing output grew by 15.6% YoY. We consider this to be a result of improving conditions in global production, including some easing in supply chain disruptions, due to the loosening of restrictions during the Delta variant. At the same time, the impact of the Omicron variant on Europe and Asia proved significantly less severe compared to the previous wave. This is reflected in the strong output of computers and electronics (27.5% YoY), which were previously affected by shortages of electronic components.

High natural gas prices continued to support local energy production as well, as this prompted a switch to more attractively priced coal-based electricity production. As a result, production of energy rose by over 50% in January, while mining expanded by over 30% YoY.

## Industrial output (Dec2019=100)

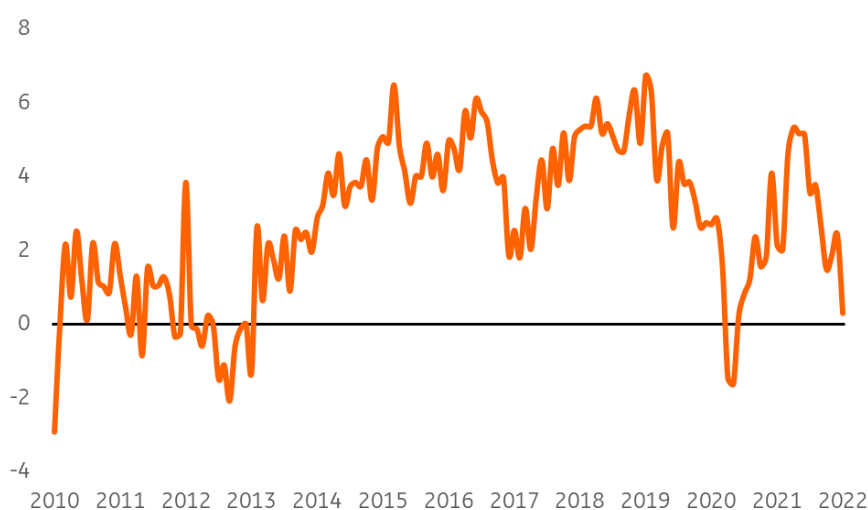


Average wages and salaries in the enterprise sector went up by 9.5% YoY in January – in line with our forecast and slightly below the market consensus of 10.1% YoY. Average paid employment increased by 2.3% YoY vs. our forecast of 2.7% YoY and market expectations at 1.7% YoY.

In monthly terms, employment jumped up by 98K. The bulk of this was associated with the annual update of the statistical sample by the StatOffice (enterprises employing nine or more workers). Employment was also supported by jobs creation and the return of workers from sick leave.

Wages continue to expand at around a double-digit pace. Continued upward wage pressure is resulting from low unemployment (strong bargaining power of employees) and rapid price growth (the main rationale behind higher wage demands). But importantly, soaring inflation hampered real wage growth, which came in at just 0.3% YoY. In our view, this will boost wage demands and increase the risk of a wage-price spiral.

## Real wage growth in enterprises, %YoY



Bottom line: after a strong 4Q21 economic expansion continued in 1Q22.

- Omicron did not hit demand and so far, consumption remains buoyant despite inflation.
- There are signs of a wage-price spiral in the labour market.
- Fiscal policy is boosting demand (CPI+) rather than supply (CPI-). The fact that CPI inflation did not exceed 10% YoY is no reason for complacency as economic developments and fiscal policy will fuel inflation and high core inflation over the medium term, while CPI will be somewhat compressed by some protective inflation measures (indirect tax cuts) in the short term.
- This is why the National Bank of Poland's governor made a hawkish pivot recently. He is calling for a stronger zloty in order to combat inflation and stated that rate hikes will not increase unemployment but rather ease wage pressure. The NBP is prepared for further decisive policy moves.
- We feel comfortable with our 2022 GDP growth forecast above the market consensus (ING 4.5%).

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

### Adam Antoniuk

Senior Economist, Poland

[adam.antoniuk@ing.pl](mailto:adam.antoniuk@ing.pl)

### Piotr Poplawski

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@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 [www.ing.com](http://www.ing.com).