

Poland: Wage growth accelerates again

Wages accelerated after a quarter of stagnation, likely led by construction. Scope for a further increase is limited though in our opinion. Data remains consistent with central bank assumptions



7.5%

Wages in enterprise sector

(%YoY, June reading)

Better than expected

Wages in the enterprise sector accelerated in June from 7% year on year to 7.5%, above the market consensus (7% YoY). The detailed structure will be published within the next two weeks, but we expect the surprise to be driven by the construction sector (with infrastructure investment recovering) and manufacturing. There were also wage hikes in the mining sector, though its impact should be moderate (likely adding +0.3pp to the headline figure).

Despite the positive surprise in June, the scope for a further substantial acceleration (similar to that seen in other central and eastern European countries) in the next quarter is limited in our opinion. The number of companies planning wage increases remained stable in 2Q18 vs the

previous quarter, according to the National Bank of Poland survey. Furthermore, the report highlights the negative divergence between productivity growth and wages, which has lasted about a year. This phenomenon cannot persist indefinitely - we assume wages will exceed 8% YoY in 4Q18 and stabilise thereafter.

6.9% Wages in Economy - NBP forecast

(%YoY, average dynamics in 2018)

Wage growth at 7.5% YoY remains consistent with the NBP inflation projection. The central bank assumes 6.9% YoY growth in 2018 for the whole economy. In previous quarters, this aggregate was on average 0.3-0.4pp lower compared to results from the enterprise sector. The transmission between wages and prices is so far weak, even in labour-intensive services.

Overall, we expect the MPC to maintain its dovish bias – recent comments from NBP Governor Adam Glapiński suggest no willingness amongst the majority of members to hike rates until the end of 2020. Today's reading should not alter this stance.