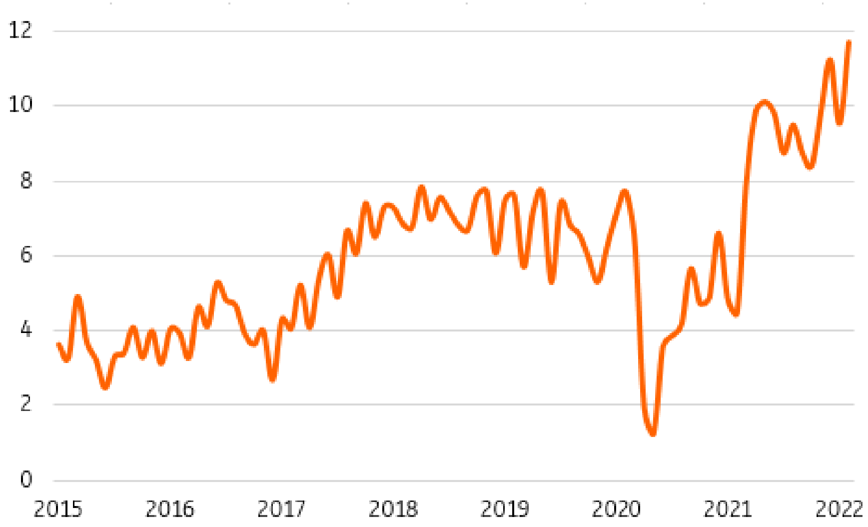
Poland: wage growth rises amid labour shortages

The Polish labour market remains tight with signs of elevated wage pressure. In the short term, the outflow of male Ukrainians from Poland may even intensify wage pressure in construction, transport and manufacturing. Over the medium-term, labour shortages and wage pressure in services and trade might ease somewhat

In accommodation and catering, wages jumped by 15.4% year-on-year in February

Average wages and salaries in the enterprise sector soared 11.7% year-on-year in February (ING: 10.0% year-on-year; market consensus: 9.9% year-on-year), while average employment rose by 2.2% year-on-year – in line with our forecast and market expectations. The February labour market report confirms that the Polish labour market remains tight.

Average wages and salaries in the enterprise sector, %YoY



Wage growth has been growing at a double-digit pace in recent months. Particularly high increases have been observed in labour-intensive services, i.e sectors of the economy that suffered from containment measures during the Covid-19 pandemic. In accommodation and catering, wages jumped by 15.4% year-on-year, while in arts, entertainment and recreation they went up by 15.0% year-on-year. Rising prices of essentials (food, dwelling maintenance, petrol) should lift wage expectations further.

The number of jobs in the enterprise sector expanded by approximately 15k in February this year compared to January. It was slightly short of the February 2020 figure (20k), but clearly above the average seen in previous years (between 5-10k). Higher wage growth and the temporary decline in CPI inflation in February (due to VAT rate cuts) lifted the growth of real wages to 5.2% year-on-year in February vs. 2.4% year-on-year in January. But, the pressure on households' purchasing power should come back in the coming months due to the expected increase in inflation – CPI inflation is expected to rise to 10% or above in March.

In the short term, migration trends (male Ukrainians leaving Poland to fight in their home country) should increase wage pressure in construction, manufacturing and transport. In those sectors we do not expect wage pressure to moderate in the near term. Over the medium term, some relief may be seen in services and trade. The current wave of refugees is dominated by females, children and the elderly. Ukrainian women may boost labour supply and somewhat ease tensions and wage pressure in services, provided that Polish authorities manage to provide childcare (schools, nursery) allowing females to enter the labour market. Ukrainian women may also find employment in education, healthcare and social services as these sectors will face stronger demand from immigrants and so will need to increase the hiring of workers, especially those who speak Ukrainian and/or Russian.

Author

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Disclaimer