

## Wage pressure remains strong in Poland

In January, wages in the corporate sector rose 12.8% year-on-year (ING 11.7% YoY, consensus 10.9% YoY), following a 9.6% increase in December. In the coming months, we expect wages to remain at double-digit levels, resulting in a rebound in consumer spending, which is likely to be the leading driver of GDP growth this year



The single-digit increase in wages last December was due, among other things, to the acceleration of the payment of some bonuses in the mining industry from December to October.

There are a couple of factors behind the return of double-digit wage growth in December. This year's (election) increase in the minimum wage was higher than at the beginning of 2023, i.e. by almost 18% (to PLN4242 from PLN3600), while a year ago the increase was 16%. In addition, the National Bank of Poland's survey shows that the willingness of companies, especially large ones, to raise wages was close to a record high. Unlike smaller ones, they were able to pass rising costs onto consumers.

In the coming months, we expect wages to remain at double-digit levels. This will also be helped by increases in the public sector. Even with inflation expected to rebound in the second half of this year, this will mean high wage growth in real terms this year. Combined with the high indexation of social benefits, this will likely result in a recovery in consumer spending, in our view the main

source of GDP growth this year.

Employment in the corporate sector fell 0.2% YoY in January (in line with consensus), following a 0.1% YoY decline in December. The situation in furniture and wood products manufacturing is the worst it's been for months. Although the domestic real estate market has improved, this has probably not yet translated into increased demand for furniture. Adding to the problem is the continued weakness in Germany, which is a key export market for those industries. The fortunes of the apparel industry are also worsening, most likely due to competition from Asia. Significant job cuts could occur there soon. The production of other transportation equipment, where large rail orders from home and abroad are being fulfilled, looks better.

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