

## Poland: Why wage growth is more subdued than expected

Wage growth in Poland continues to decelerate, falling to 5.9% year-on-year in October vs 6.8% in the last 10 months. The data suggests that a generous hike in the minimum wage next year still won't be enough to push overall wages above 8% in the first quarter



Shoppers at the Poznan City mall in Poland

In October, corporate wage growth in the enterprise sector decelerated from 6.6% to 5.9% YoY, below market forecasts (6.2%). Our models (the official breakdown is not yet available) suggest a stronger slowdown in industry, but also some moderation in services. The ongoing deterioration seems to stand in contrast to the National Bank of Poland's survey, which shows an increasing share of firms mulling wage hikes.

But we have a few theories to explain why wages may have moderated faster than expected and growth is lower than implied by the NBP's survey:

- While the number of companies planning wage hikes is high, the scale of hikes is low.
- Companies may see the introduction of the occupational pension scheme (companies should pay an additional contribution of 1.5%) as a substitute wage hike.
- Some businesses may postpone pay rises to January 2020 when a strong hike in

the minimal wage (by 15%) should take place.

- The personal income tax was cut from October onwards, so in net terms, employees have already received higher wages and there is no need to hike the gross salary.

Therefore, it is probable that a strong rise in the minimum wage in January 2020 will bring overall wage growth to levels seen in 1Q of 2019 (7.7%) rather than push wages above 8%YoY. We estimate that the rise in the minimum wage should add about 1.5 percentage points to overall pay growth. We no longer expect to see average wage growth rising above 8%YoY in 1Q20.

## Author

### Rafal Benecki

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto: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 [www.ing.com](http://www.ing.com).