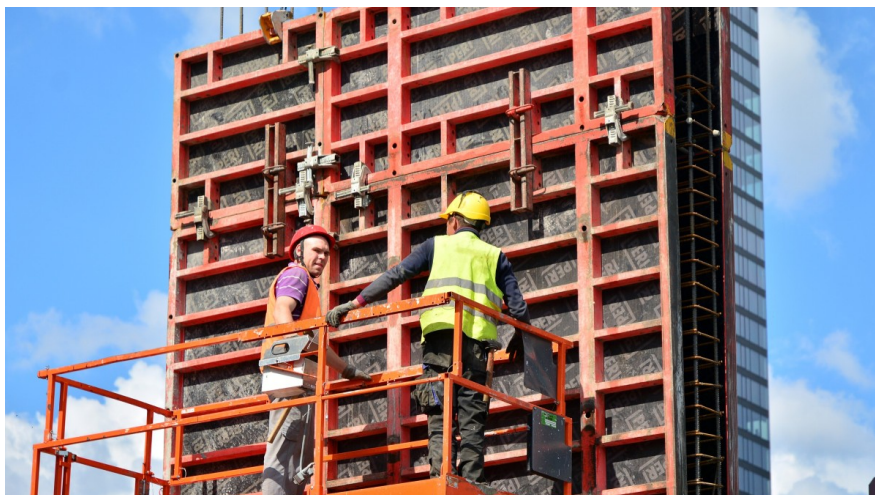


Poland's wage growth temporarily returns to single digits

Corporate sector employment surprised on the upside in December, though the number of jobs declined by 0.1% year-on-year. A slowdown of wage growth below 10% is likely transitory



Polish workers at a construction site in Warsaw

Employment in the corporate sector fell by 0.1% YoY in December, better than the consensus and November data (-0.2% YoY) and our forecast (-0.3%). In month-on-month terms, there was an increase in employment of 1,300, after adjusting for seasonal variations, the first increase in employment since April last year.

In our view, this is a very favourable reading, given the mediocre production dynamics data for fourth quarter 2023, where only December brought the first tentative signs of improvement after a weak October and November. In an environment of low labour availability, companies are reluctant to cut payrolls, which is weakening the relationship between activity and employment levels. The phenomenon of job hoarding can be seen for many months.

The published data show strong services and still weaker industry (employment in manufacturing fell by 1.0% YoY), while it increased in sectors such as information and communication (2.6%); culture, entertainment and recreation (2.9%), and accommodation and catering (5.0%).

Wage growth in December was 9.6% YoY, well below consensus (11.6%) and the November reading (11.8%), but close to our expectations (9.4%). The single-digit wage growth was last seen

in January 2022. Such a slowdown in wage growth was due to one-off factors: the annual bonuses in mining and energy were brought forward to October from December due to the elections. Secondly, the low number of working days also deducted from wage growth. The remunerations dynamics in the manufacturing sector was 10.6% and remained at a similar level to November (11.9%). Central Statistical Office data also show that for the whole of 2023, the average wage in the business sector was PLN7,444, which is 11.9% higher than in 2022.

In the coming months, we expect wage dynamics to return to double-digit levels, mainly due to the high increase in the minimum wage on 1 January 2024 (by 17.8%, from PLN3,600 to PLN4,242), and the low level of unemployment. On the other hand, factors limiting wage dynamics will be the gradually declining profitability rates in the corporate sector and a lower level of inflation than last year. An important question for this year is to what extent real wage growth will translate into household spending dynamics.

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