

## Poland's labour market is gradually slowing

Latest data suggests a gradual deterioration in Poland's labour market. Wages in June rose by less than expected. Employment in the business sector fell slightly



Warsaw's business district

Average wages in Poland's business sector rose by 11.0% YoY in June, slightly below expectations (11.3%) and the reading for May (11.4%). Next month, the YoY wage growth rate may fall below 11.0% as the market gradually cools. Wage growth should return to single-digit levels in 2025.

At the same time, employment in the business sector fell by 0.4% YoY (0.5% YoY in May), as expected. The smaller magnitude of the decline in employment than in May is mainly due to the base effect (a decline in employment in June 2023) rather than an improvement in the labour market. The new data indicates a gradual deterioration in the labour market, which is reacting with some delay to the weaker economy in 2023 and the first half of this year. This is particularly evident in manufacturing and administration.

However, supply constraints, including the decline in the working-age population and the outflow of migrants, mean the labour market remains tight. According to the Eurostat methodology, Poland has the second lowest unemployment in the EU. In addition, a series of increases in the minimum wage and adjustments for high inflation in the past are keeping wage growth at double-

digit levels.

The sectoral pattern of the change in YoY wage dynamics between June and May is worth noting. There were notable declines in wage dynamics in manufacturing (10.5% YoY in June vs 11.6% in May) and construction (12.8% vs 14.7%), which were offset by a one-time growth in mining (23.8% vs 7.0%), related to the payment of awards. This suggests that with the expiration of the one-time factor, the YoY wage growth rate in the next month may fall below 11.0%. In the further horizon, with the expiration of the impact of this year's minimum wage changes and companies' difficulties in passing on rising labour costs to final consumers, we expect wage growth to return to single-digit levels in 2025 (c.7.5% YoY).

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