# Poland's labour market remains tight

In March, Polish enterprise sector wages rose by 12% YoY, close to the consensus and slightly weaker than a month prior. The high growth most likely reflects the significant minimal wage increase in 2024 and tight labour market conditions

Construction workers in Warsaw, Poland

High minimal wage growth and strong bargaining power among workers resulting from Poland's tight labour market conditions have also been accompanied by wage increases in the public sector introduced in March and April.

Enterprise sector employment shrunk by 0.2% year-on-year in March, the same as in February and slightly worse than the consensus (-0.1% YoY). Labour demand has gradually deteriorated, particularly in manufacturing (notably in furniture production). Companies now face decreasing margins and increasing competition from Asia, while export demand from Poland's key trading partners is still relatively weak.

The general labour market situation remains strong despite some signs of cooling down. Companies continue to hoard labour, fearing they will not be able to replenish their workforce when the economy improves. Working in tandem with pro-social government policies, this should result in double-digit wage growth this year. Given the significant decline in inflation, real wage growth remains in double digits for the second consecutive month. Previously, we saw similar dynamics emerging in the late 90s. Moving forward, we think that consumer spending should be the key GDP driver in both 2024 and 2025.

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