

## Polish labour market softens but remains firm

In July, average wages in Poland's corporate sector rose by 10.6% year-on-year, while employment contraction remained muted (-0.4% YoY). The mix of demographics, migration and minimum wage hikes should yield high wage growth in 2025, possibly resulting in a further decline in corporate profit margins in manufacturing and construction



Construction workers in Warsaw, Poland

Polish wage growth came virtually in line with our forecast (10.5% YoY), slightly below consensus (11.0%) but slower than in June (11.3%). Wage dynamics are gradually decelerating, although this is mainly due to smaller bonus payments in the mining and energy sectors (2023 saw a high statistical base as it was an election year). In general, the high wage dynamics in July, especially in manufacturing and construction, were instead supported by two more working days than in 2023 and another increase in the minimum wage from July.

The worsening condition of the labour market is clear in the employment data. In July, as expected, this fell by 0.4% YoY following a 0.4% YoY drop in June. Manufacturing industries are doing relatively poorly, struggling with weak economic conditions in the eurozone (especially in Germany) and strong competition from Asia. However, the scale of the deterioration remains quite small (Poland, for example, has the second lowest unemployment rate in the EU, after the Czech

Republic) due to the demographic situation and the outflow of migrants from Ukraine. In such an environment, companies are still very reluctant to cut jobs, fearing difficulties with finding employees when the economy improves.

A gradual economic rebound, demographics and a significant increase in the minimum wage in 2025 suggest that wage growth will remain strong next year as well, although it will no longer be in double digits. Growth in consumer spending should remain a key driver of economic growth. However, high growth in labour costs is set to translate into a risk of further compression of corporate margins, especially in manufacturing and construction.

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