

Polish labour market tightness persists as unemployment hits record low

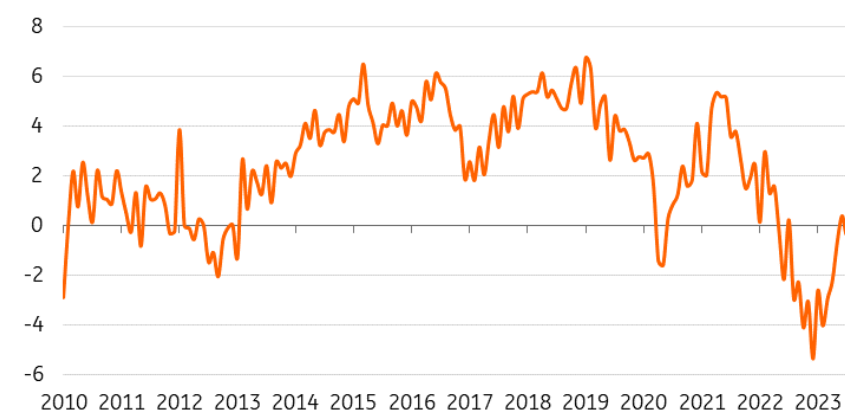
While growth for employment in enterprises ceased, the unemployment rate remains at a record low, and wages are expanding at a double-digit rate. Labour market conditions remain tight and pro-inflationary. A gradual recovery in real wages should allow for a rebound in household consumption in the fourth quarter of this year



Average wages and salaries in the corporate sector rose 11.9% year-on-year in August (ING: 11.8%), following an increase of 10.4% YoY in July. July's result was distorted by a high statistical base from last year when we saw unusually high bonus payments in mining and energy. After this subsided, wage growth returned to around 12% in August. In real terms, wages in the enterprise sector increased by 1.7% YoY. Wage growth in real terms will support a further recovery in real disposable income for households, which will translate into a rebound in consumption towards the end of 2023 or into early 2024. At the same time, sustained wage growth at double-digit levels remains a challenge in bringing inflation down to the National Bank of Poland's target.

Real wages recover amid falling inflation

Real wage and salary in enterprise sector, % YoY

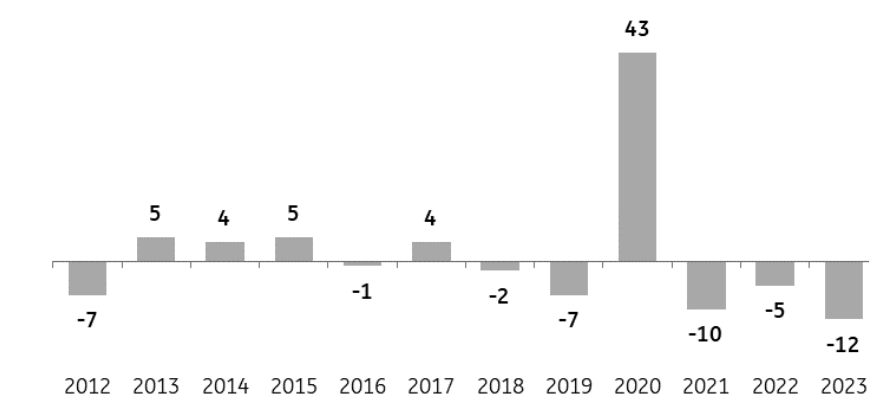


Source: GUS, ING.

Employment in enterprises was at a similar level in August versus one year ago (consensus and ING: +0.1% YoY). There are increasing signs of weakness in employment in this part of the economy – although in the face of declining GDP, the scale of deterioration is fairly mild. Compared to July, the number of job posts fell by 12,000 – a weak reading for August. Still, the labour market appears to be weathering the economic slowdown exceptionally well.

Employment in enterprises deteriorating slightly

Monthly change in employment in enterprises in August, thous. of persons



Source: GUS.

Despite the clear economic downturn – illustrated by the drop in GDP in the first half of 2023 and three consecutive quarters of year-on-year declines in household consumption – the labour market remains tight. Employment levels remain relatively stable and wages continue growing at double-digit rates. In our assessment, this is a reflection of structural factors (limited labour supply due to unfavourable demographics) and behavioural factors in the form of 'job hoarding' as a result of difficulties with finding new employees. We currently see the labour market situation as pro-inflationary. Employment levels are relatively stable, unemployment is at a record low and wages are growing at a double-digit rate.

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