

## Polish labour market tightness persists as unemployment hits record low

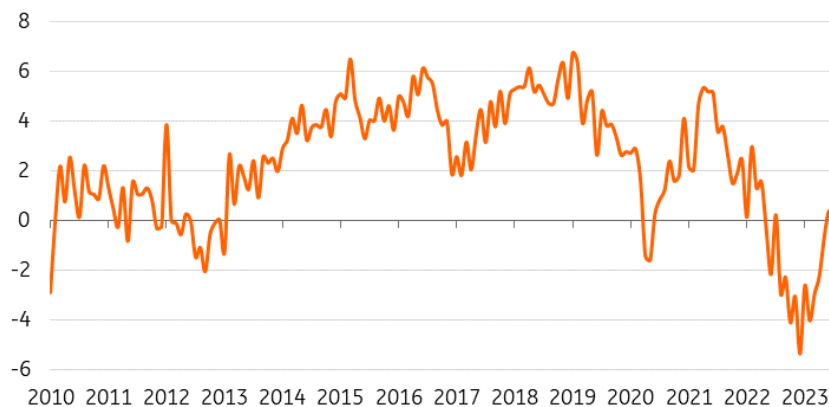
While growth for employment in enterprises ceased, the unemployment rate remains at a record low, and wages are expanding at a double-digit rate. Labour market conditions remain tight and pro-inflationary. A gradual recovery in real wages should allow for a rebound in household consumption in the fourth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

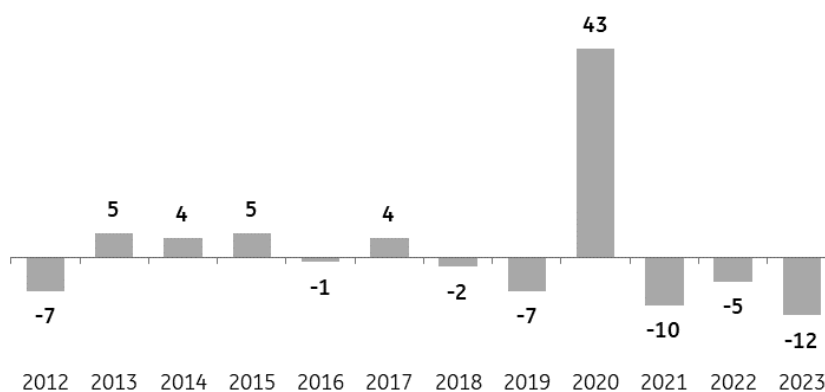


Source: GUS, ING.

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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