

Polish labour shortage pushes up wages

Will a surprise growth in Polish wages prompt a central bank rethink?



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Surprising wage growth statistics

There's been a surprise increase in wage growth in Poland, according to the latest figures, but employment growth has slowed. Corporate sector wage growth accelerated to 6%, year-on-year, from 5.4%. However, the National Bank of Poland's survey indicated a significant drop in the share of companies reporting plans for wage hikes in the third quarter of this year, dropping from 25.8% to 19.9%. This raises doubts about whether the wage growth trend can be sustained.

There was a slowdown in employment growth in June to 4.3%, year-on-year, compared with 4.6%. However, other surveys suggest an increasing labour shortage, one of the reasons we're seeing higher wages. The Ministry of Labour's unemployment rate estimate has fallen to 7.2% from 7.4%

Impact on rates

We still expect the MPC to hike rates in late 2018

So, do we expect a radical rethink among the Monetary Policy Committee's members about bringing forward rate hikes? We don't. The latest labour market data appears to challenge the MPC's stance but it doesn't yet seem to be strong enough to warrant a change. So far, only one member outside the hawkish wing, J Osiatyński, has expressed concern about the risk of strong wage growth. So we still think the central bank will only hike rates in the fourth quarter of 2018.

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