

Polish wages jump as layoffs rise; labour demand set to recover

Wages in the corporate sector again grew in double digits in August (11.1% year-on-year), but the pace continues to moderate, and will likely fall into single digits next year. Employment contracted more than expected, but leading indicators show labour demand is stabilising



People in Castle Square, Warsaw

Wages go up

In August, average wages in the enterprise sector rose by 11.1% YoY (very close to expectations (10.9%)), following an increase of 10.6% YoY in July. Since the beginning of the year, the growth rate has been decelerating but remains in double digits.

By industry, wage growth is relatively weak in transportation, likely affected by poor European manufacturing activity. At the same time, construction-related industries are performing relatively strongly, which, despite the very weak current situation, are likely still benefiting from high-profit margins in the sector and the effects of completing infrastructure projects in late 2023, as well as the surge in demand for housing in late 2023 and early 2024.

Wage growth should slow to single-digit levels in 2025 due to lower pressure from inflation,

deteriorating corporate earnings and a lower minimum wage increase than in the last two years. However, it should remain markedly higher than inflation.

Employment goes down

Average employment in the enterprise sector decreased by 0.5% year-on-year in August, following a 0.4% YoY decline in July. This represents a relatively high loss of about 20,000 jobs over a month. This may reflect, among other things, the layoffs announced in the media by large multinationals. Employment has been falling since the beginning of the year, but information coming in from the labour market (new job offers, number of vacancies, demand surveys) suggests that labour demand is beginning to stabilise and should gradually recover in the coming months.

By industry, some manufacturing companies, especially those focused on exports (e.g. furniture, electronics) or exposed to competition from Asia (textiles), among others, continue to perform poorly. Yet, we can see an increase in demand for labour in accommodation and food services, among others.

The overall health of the Polish labour market remains good, especially in a number of service industries that benefit from relatively strong domestic demand. Service companies continue to find it easier to pass on rising costs to customers, while industry is suffering from weak foreign demand, the strong zloty and competition, particularly from Asia.

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