

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.

Author

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.