



Ministerstwo Skarbu Państwa

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Polish labor market in 2013 - forecasts concerning employment, wage growth and market structure

2012 - a year of gradual and moderate labor market deterioration

Conditions on the Polish labor market deteriorated in 2012 alongside economic slowdown. The unemployment rate remained at double-digit levels throughout 2012, starting at 13.2% in January and hitting the year's peak at 13.5% in February, then declining in the spring and summer on the back of seasonal factors (with the year's low at 12.3% recorded in July) and again rising in the autumn to 13.4% in December, according to data from the Central Statistical Office (GUS).

A yet better picture of labor market trends in 2012 can be achieved by tracking the y/y changes of the number of unemployed in subsequent months: while in the three initial months of the year the pace of the unemployed number increase y/y declined, approaching 1% in March, from April on it steadily grew and finally exceeded 7% in December, according to GUS data processed and presented by bank BZ WBK in its comment on December labor market data.

The December unemployment rate data, while being "evidence of the lingering of the trend of labor market situation deterioration," still "do not indicate any high risk of a strong acceleration of the process, which went on throughout last year, but took a relatively mild course," BOS Bank economists wrote in their comment dated January 24.

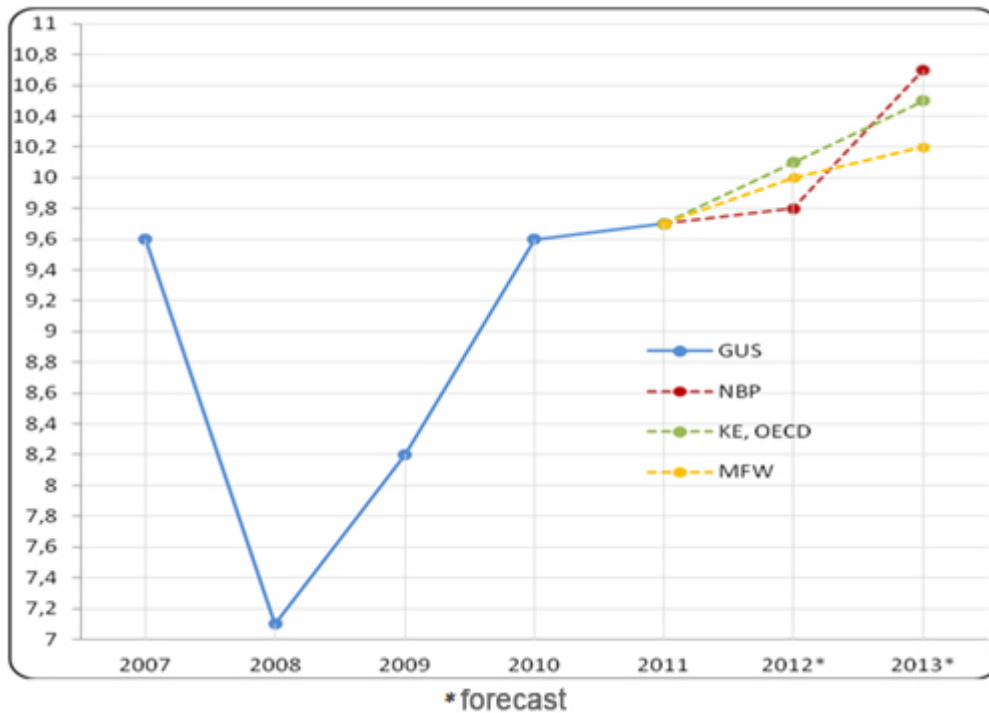
Poland's unemployment expected to increase slightly in 2013

By the same token, the year 2013 should bring stagnation or a slow pace of labor market deterioration rather than any drastic worsening, BOS Bank experts write, forecasting the end-year unemployment rate "slightly above 14%".

The December set of GUS's labor market data "on the one hand may indicate a lack of signals of labor market situation improvement in the coming months but, on the other hand, allows for maintaining expectations that the pace of [labor market situation] worsening will be relatively slow and limited," the economists argue.

To support their forecast, BOS Bank experts also quote the National Bank of Poland (NBP)'s research Economic climate in the enterprise sector and forecasts for 2013 Q1, which showed that the employment forecast indicator for Q1 2013 increased slightly (by 0.5 pp, seasonally adjusted) compared to the previous quarter and remained somewhat above its long-term average. It remained, however, at negative levels, showing that more enterprises (14.7%) plan to dismiss employees than to hire new ones (9.8%).

The end-2013 unemployment rate forecast by BOS bank is rather cautious in the light of other, more optimistic projections. The Gdańsk Institute for Market Economics (GIME) forecast, for instance, puts the registered unemployment rate at end-2013 at 13.6%. Still more positive is the official projection by the Finance Ministry, which expects 13.0% unemployment at end-year.



Poland's unemployment rate based on labor market survey (LFS) data for the years 2007-2011, estimate for 2012 and forecast for 2013 according to the National Bank of Poland (red line), the International Monetary Fund (IMF) (yellow line), the European Commission (EC) and the Organization of Economic Cooperation and Development (OECD) (green line) (source: Sedlak & Sedlak)

International institutions also expect Poland's unemployment rate increase to be moderate this year: the International Monetary Fund (IMF), the European Commission (EC) and the Organization of Economic Cooperation and Development (OECD) all predict that the Polish unemployment rate based on labor market survey (LFS) will not exceed 11% in 2013, gaining only less than half of a percentage point compared to the last year's level. According to the IMF, the indicator for Poland will rise to 10.4% in 2013 from 10.0% in 2012, while the EC and OECD forecast an increase to 10.5% this year from 10.1% in 2012. LFS unemployment rate is a measure considered more accurate than the registered unemployment rate, as LFS only covers those unemployed who have actively looked for work in the past month and are able to start work in the next two weeks.

It is worth mentioning that the 2013 unemployment rate increase is to take place despite a simultaneous, gentle increase of employment: the EC, in its autumn 2012 forecast, expects Poland's employment to rise by 0.1% in 2013 after increasing by 0.3% in 2012. These developments are due to the fact that at present Poland's "labor supply growth outstrips employment growth," the EC document reads.

Nominal wage growth to slow down y/y in 2013, while real wages should return to growth

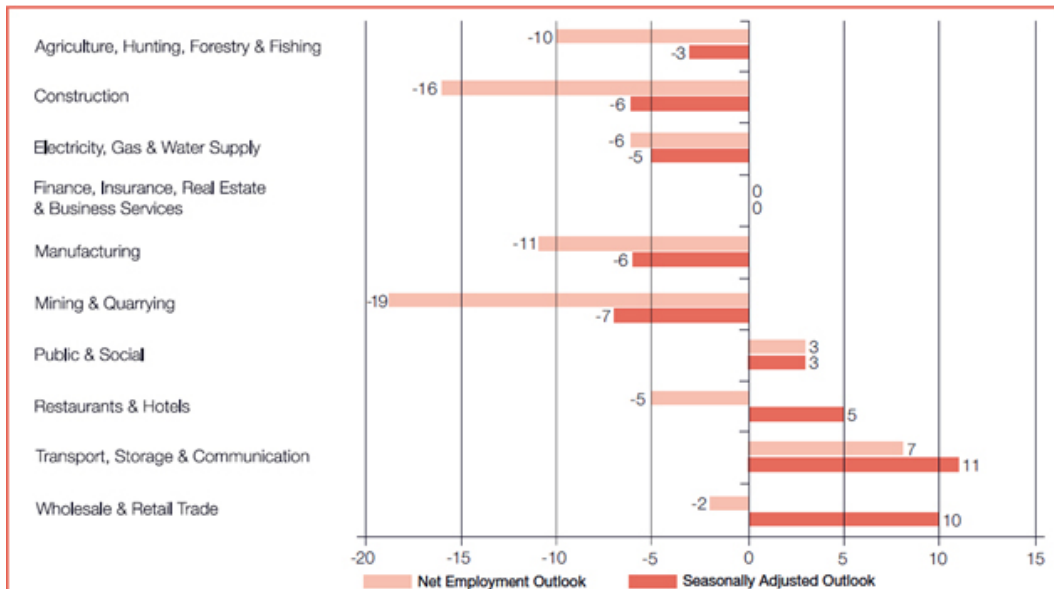
Poland's nominal wages will likely grow in 2013 at a slower pace than in 2012, and yet, due to the already visible disinflation, wages in real terms should behave better than last year, returning to growth - according to the majority of forecasts cited by labor market researcher Sedlak & Sedlak.

The European Commission, for instance, expects Poland's nominal wages to grow by 3.4% y/y this year after recording a 3.5% growth in 2012, while real wages are to increase by 0.8% y/y in 2013, having declined by 0.3% last year. The Gdańsk Institute for Market Economics (GIME) is slightly more optimistic than the EC, as it puts Poland's real wage growth this year at 0.9%.

The aforementioned NBP survey of economic climate showed that the percentage of firms planning wage increases fell for a consecutive quarter to the lowest level since 2009, with 17% of companies intending to raise wages in Q1 2013. "The average wage increase in this group will amount to 4.5%," the central bank's researchers found out. On the positive side, the percentage of companies planning to cut wages is still very low: only 4.3% of businesses declared such plans in the first quarter.

Q1 employment outlook: strongest among trade and transport companies, weakest amidst builders, miners and manufacturers

While the general trend in 2013 is for the unemployment to increase, there are some industry sectors in which more employees may be hired than made redundant, recent researches suggest. According to the NBP enterprise sentiment survey, "a small-scale increase in employment is planned [in Q1] by trade and transport enterprises." Other types of services providers, however, are more likely to reduce than to increase employment in Q1, just as it is the case with builders and industrial companies, the NBP report showed. Employment forecasts for construction and industrial sectors improved slightly compared to the previous-quarter survey, NBP analysts noted.



Manpower's employment outlook for Q1 2013 in selected sectors of the Polish economy - indications based on survey of Polish companies' managers (net employment outlook being calculated by subtracting the percentage of employers expecting a decrease in employment from the percentage of employers anticipating an employment increase) (source: Manpower, Manpower Employment Outlook Survey. Q1 2013)

The Polish central bank's findings seem to be confirmed by the international HR company Manpower's recent quarterly labor market survey Manpower Employment Outlook Survey. According to Manpower, Poland's employers in five out of ten industry sectors included in the survey anticipate headcount reduction during the next three months, one sector is neutral, and four sectors expect headcount growth. The strongest labor market sentiment was expressed by transport, storage & communication sector employers with an outlook of +11% and wholesale & retail trade sector employers with an outlook of +10% (the figure is calculated by subtracting the percentage of employers expecting a decrease in employment from the percentage of employers anticipating an employment increase and adjusting the result seasonally). A positive employment outlook is also visible in restaurants & hotels sector (+5%) and public & social sector (+3%). The Q1 outlook in the finance, insurance, real estate & business services sector is neutral. The remaining five sectors maintain a negative labor market outlook, with weakest forecast recorded in mining & quarrying sector (-7%), construction sector (-6%) and manufacturing (-6%), Manpower reported.

Whatever the performance of particular sectors, the Polish labor market will remain difficult still for quite a long time. Companies visibly increase their employment only after the economic growth rate accelerates beyond 3.7%, according to Sedlak & Sedlak analyses, and this is a percentage unlikely to be seen either in 2013 or 2014.

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