

Instant Reaction

EcoAlert

Czech wages increased by 5.7% yoy in 3Q21



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Average monthly wage – 3Q21

	Actual	KB forecast	Consensus
Nominal wages (% , yoy)	5.7	5.5	n/a
Real wages (% , yoy)	1.5	1.4	1.4

Source: CZSO, Bloomberg, Economic & Strategy Research, Komerční banka

Czech average wage growth slowed from 11.4% yoy in 2Q to 5.7% yoy in 3Q. This was due to the higher base of 3Q20, when the economy had already partly recovered, as well as to the fading effect of the second round of extraordinary bonuses paid in health and social care in 2Q. However, elevated inflation significantly downsized real wage growth, which was only 1.5% yoy in 3Q.

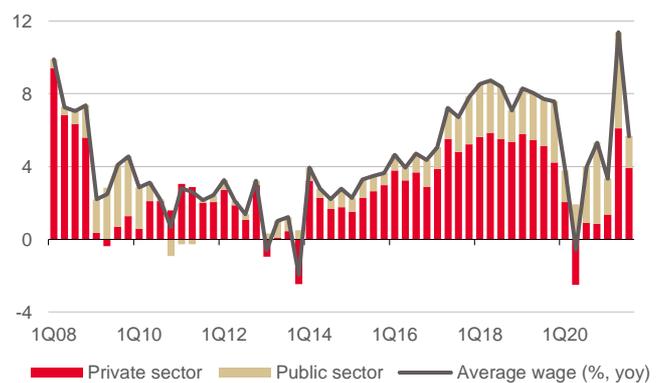
Wages developed broadly in line with expectations in 3Q. In the case of real average wages, the market consensus was for growth of 1.4% yoy, which was also our forecast. On the other hand, the central bank expected a smaller increase of 0.5% yoy. Wage growth is one of the persistent inflationary pressures (in this case of a purely domestic nature) which are likely to force the CNB to continue raising interest rates at its monetary-policy meeting in December. We expect interest rates to rise by another 50bb.

In 3Q, swift nominal wage growth of 5.7% yoy was counteracted by inflation, with real wages growing by only 1.5% yoy



Source: CZSO, Economic & Strategy Research, Komerční banka

The slowdown in wage growth in 3Q was due to the higher base effect and the fading of extraordinary bonuses in healthcare



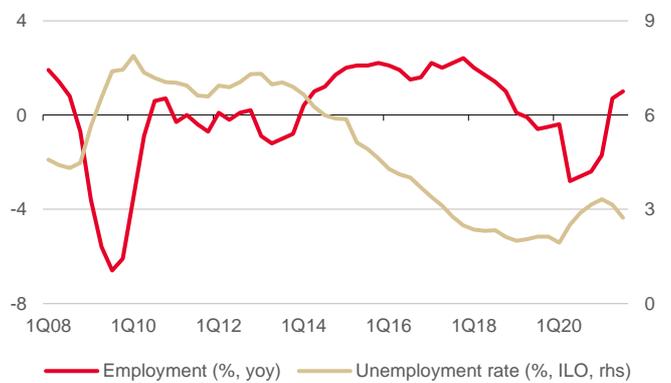
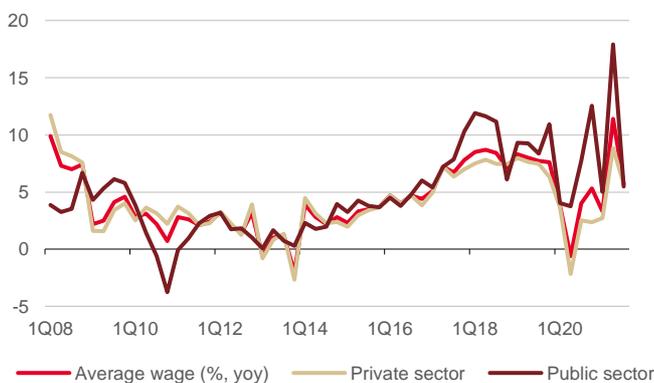
Source: CZSO, Economic & Strategy Research, Komerční banka

Both the private and public sectors contributed to average wage growth in 3Q. In the private sector (NACE A-N), wage growth slowed from 8.8% yoy in 2Q to 5.7% yoy in 3Q. This only slightly exceeded our forecast of 5.3% yoy. The slowdown in yoy growth was purely due to the higher base effect, as private wages continued to increase by about 2% qq. The complete lifting of economic restrictions related to the pandemic and the persisting tightness in the labour market both had an impact. Labour shortages are reported by most sectors, including

the important manufacturing industry. In 3Q, manufacturing wages increased by an average of 5.4% yoy, despite subdued 1.1% yoy growth in production due to a shortage of inputs. The excess of wage dynamics over production growth can be a significant source of domestic inflationary pressure. Trade and services also saw a broad-based increase in nominal wages of around 5%.

The lower wage growth in the public sector reflected the fading effect of extraordinary bonuses in health and social care. Wage growth in the public sector (NACE O-S) eased from 17.9% yoy in 2Q to 5.5% yoy in 3Q, which was slightly more than in our forecast (5.9% yoy). Despite the qoq decline, wages in health and social care increased by a still significant 8% yoy in 3Q. Education also showed rapid wage dynamics, with an increase of 7.2% yoy. On the other hand, subdued wage developments were seen in public administration and culture (+2.3% and +0.6% yoy, respectively).

Wages in both private and public sector grew by around 5% yoy | **Employment fell short of expectations in 3Q, growing by 1% yoy**



Source: CZSO, Economic & Strategy Research, Komerční banka

Source: CZSO, Economic & Strategy Research, Komerční banka

Full-time equivalent employment fell short of expectations, growing by 1% yoy in 3Q after the previous quarter's 0.7%. Our forecast was for an increase of 1.4% yoy, while the CNB expected 1.2% yoy. Employment growth accelerated in the private sector, from 0.3% yoy in 2Q to 0.8% yoy in 3Q. Employment was higher year on year in ICT (+ 3.2%), trade (+ 2.2%) and manufacturing (+ 0.7%), among other sectors. On the other hand, a yoy decrease in employment was recorded in accommodation and food services (-2%), transport and storage (-1.1%) and banking and insurance (-0.5%). Despite accelerating employment growth, the private sector continued to lag the public sector. Here, employment increased by 1.8% yoy in 3Q, the same pace as in 2Q.

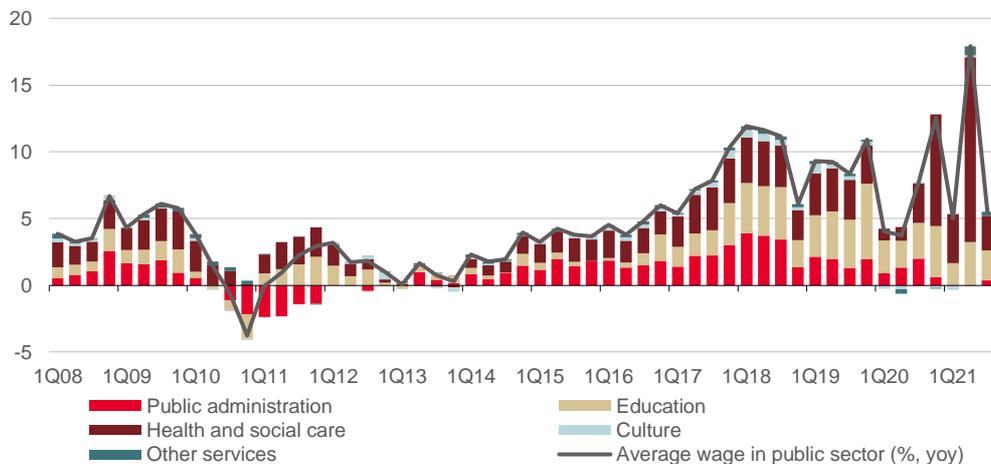
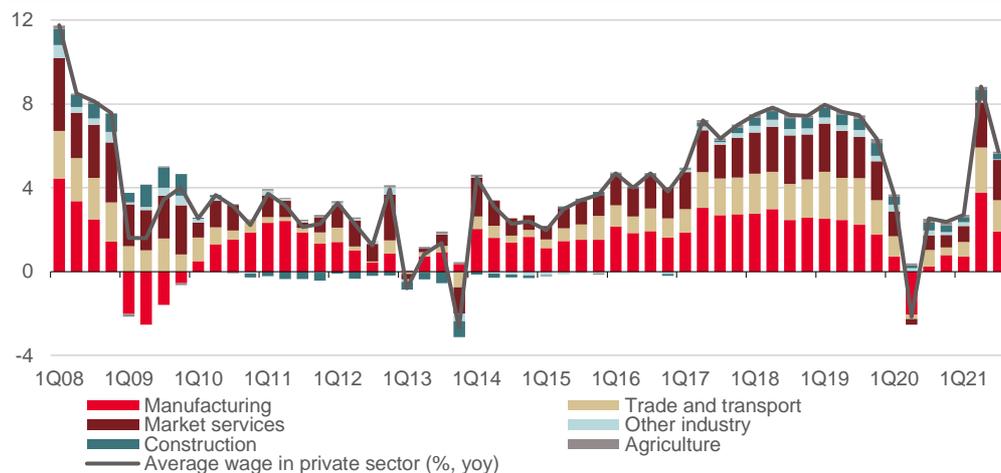
The wage bill increased by 6.8% yoy in 3Q, after growth of 12.2% yoy in 2Q.

For the full year we estimate an increase of 5.7% in the average nominal wage, or 2.1% in real terms. We expect similarly solid dynamics in nominal terms next year (4.3%), but due to the still-accelerating inflation, real wages should fall by 0.5% on average.

Sector	Average nominal wage (% , yoy)	Number of employees (% , yoy)
Agriculture, forestry and fishing	4.1	0.0
Industry, total	5.3	0.3
Mining and quarrying	7.5	-18.0
Manufacturing	5.4	0.7
Electricity, gas, steam and air conditioning supply	3.8	-0.3
Water supply, waste management and remediation activities	4.9	1.0
Construction	3.6	1.3
Wholesale and retail trade, repair of motor vehicles and motorcycles	6.6	2.2
Transportation and storage	4.4	-1.1
Accommodation and food service activities	7.1	-2.0
Information and communication	6.5	3.2
Financial and insurance activities	6.0	-0.5
Real estate activities	11.8	4.4
Professional, scientific and technical activities	5.3	2.3
Administrative and support service activities	6.6	0.7
Public administration and defence	2.3	0.7
Education	7.2	2.2
Human health and social work activities	8.0	1.7
Arts, entertainment and recreation	0.6	0.2
Other service activities	3.6	8.2

Source: CZSO, Economic & Strategy Research, Komerční banka

Structure of wage growth in the private and public sectors (contributions in pp to yoy growth in %)



Source: CZSO, Economic & Strategy Research, Komerční banka

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