

| Instant Reaction |

EcoAlert

The fastest real wage growth in 15 years



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Average wages (1Q18)

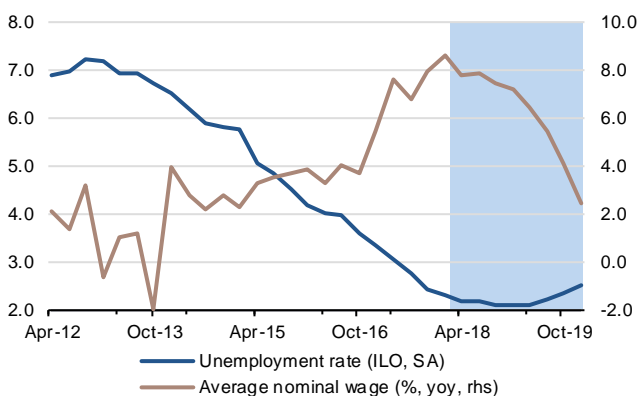
	Actual	KB forecast	Consensus (Bloomberg)
Average nominal wage growth (% yoy)	8.6	n.a.	n.a.
Average real wage growth (% yoy)	6.6	5.9	6.2

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

Wage dynamics gathered speed in 1Q18. Real wage growth has been the fastest in the past 15 years, with nominal wage dynamics the highest since 2008. Wages grew mainly in education, health care and public administration, reflecting a significant increase in salaries in the public sphere in November 2017. On the contrary, the wage dynamics in industry were not so significant. Given the extremely tight labour market situation, we expect rapid wage growth to continue in the coming quarters.

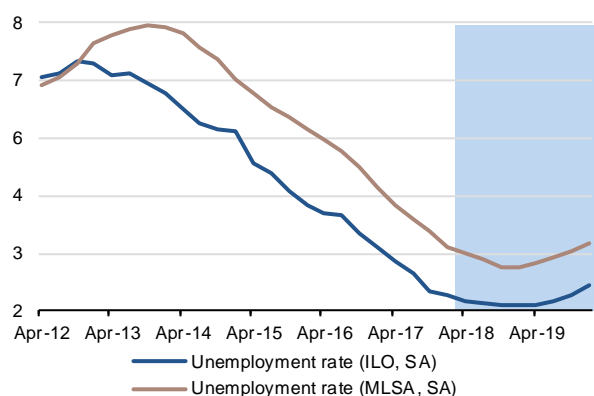
The average nominal wage grew 8.6% yoy in 1Q18, up from 8.0% in the final quarter of last year. This is the fastest pace since 2008. In real terms, it was 6.6%, the fastest dynamics since 2003. The average gross monthly wage reached CZK30,265. Wage growth in the private sphere was mainly driven by an increase in wages and salaries in the public sphere. They increased by an average of 13% in November last year. In the area of education, health and social care, public administration and defence, wages grew an average 12% in 1Q18. On the contrary, in industry, the wage dynamics were not so significant (wages increased 7.5%). The sector of financial services and insurance brought up the rear with wage growth (3.5%), but its wages in absolute terms were the second highest (CZK55,234) after the information and communication sector (CZK56,822).

Wage growth gathered speed



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

The labour market is extremely tight










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

The extremely tight situation on the labour market forces employers to increase wages. The share of the unemployed reached 3.2% in April and shows no sign of stopping. In May, we expect it to drop further to 3.0%. The number of unemployed remains below the number of job vacancies.

However, wages alone are not enough to attract new employees, in some cases. This forces companies to invest in automation and digitisation. Ultimately, this will lead to a gradual increase in productivity, which currently lags behind wage growth. Labour shortages push wages upward not just in the Czech Republic but in the whole CEE region. More information about wages and labor productivity in the CEE region and a comparison with developed EU countries can be found in our report: *European Themes - CEE: Space for wage growth but higher productivity needed*.




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









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


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