

Indicator analysis

EcoAlert

Strong wage growth in 1Q25 came as no surprise to the CNB



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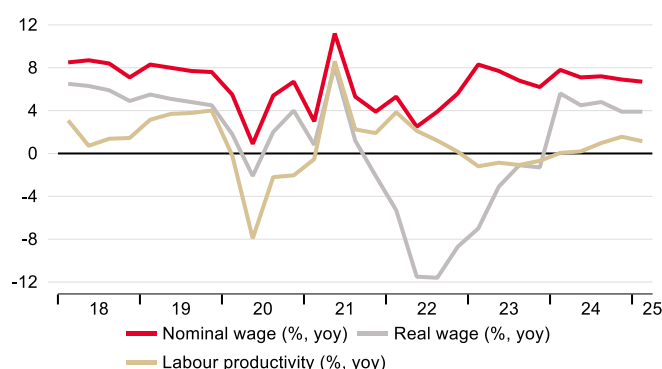
Average monthly wage growth – 1Q25

	Actual	KB forecast	Consensus
Nominal wages (% , yoy)	6.7	6.1	n/a
Real wages (% , yoy)	3.9	3.2	3.7

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

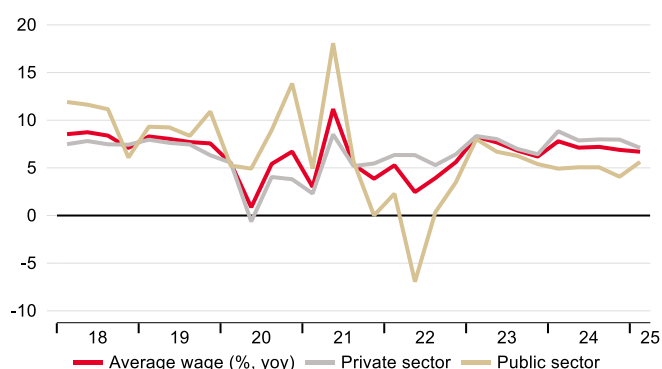
The average nominal wage in the Czech Republic rose by 6.7% yoy in the first quarter of this year, following a 6.9% increase in the previous quarter (revised downwards from the original 7.2%). From a qoq perspective, we estimate that wages rose by 2.2% in 1Q25, their highest growth since 1Q24 (seasonally adjusted).

Yoy real wage growth swung into positive territory last year after a long period in the red



Source: CZSO, Economic & Strategy Research, Komerční banka

In 1Q, wages grew by 7.1% yoy in the private sector and by 5.6% yoy in the public sector



Source: CZSO, Economic & Strategy Research, Komerční banka

From a sectoral perspective, year-on-year wage growth continues to be driven by the private sector. In the private sector, average nominal wages rose by 7.1% yoy, while in the public sector they were up by 5.6% yoy. However, subdued leading indicators from German and Czech industry, combined with an increase in tariffs, suggest that the compensation for the previous decline in real wages is unlikely to continue at the same rapid pace as in the first quarter in the rest of 2025. Nevertheless, we expect nominal wage growth across the economy to exceed 5% for the year as a whole, which, with inflation within the CNB's tolerance band, bodes well for solid real wage growth.

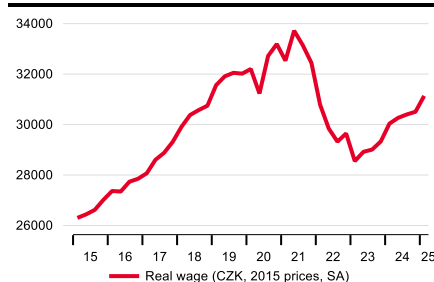
The purchasing power of average wages grew by a strong 2.1% qoq, constituting its strongest increase since 1Q24. Given the sharp decline in real wages in 3Q21 – 1Q23 (cumulatively by around 15%), this implies that, despite eight consecutive quarters of qoq growth – albeit relatively moderate overall – real wages remained roughly at the level of the turn of 2018 and 2019 and were still 2.8% lower than before the pandemic (4Q19).

Qoq real wage growth increased significantly at the beginning of 2025...



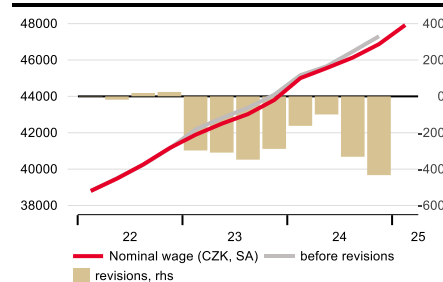
Source: Economic & Strategy Research, Komerční banka
Note: Real wage as a ratio of seasonally adjusted average wage and CPI (own seasonal adjustment by X-12 method).

... but average real wages were still at 4Q18/1Q19 levels in 1Q



Source: Economic & Strategy Research, Komerční banka
Note: Ratio of seasonally adjusted average wage and CPI (own seasonal adjustment by X-12 method).

The wage levels of the previous two years were revised down



Source: Economic & Strategy Research, Komerční banka
Note: Own seasonal adjustment by X-12 method.

The recovery in the purchasing power of earnings should also be reflected positively in household consumption. On the expenditure side of GDP, this is the largest item and also an important factor in the relatively slow recovery of the Czech economy since the end of the pandemic. According to our forecasts, domestic demand should therefore be the main driver of economic activity this year, given the continued increase in real wages. By contrast, foreign trade and investment should be negatively affected by the rise in protectionist measures in international trade and the associated increased uncertainty.

Wage growth in 1Q25 was slightly stronger than expected by financial markets, but fell slightly short of the CNB's forecast. The market consensus expected real wages to grow by 3.7% yoy, i.e., 0.2 pp less than in reality. Overall nominal wage growth was only slightly below the CNB's forecast (6.7% yoy vs 6.8% yoy expected). In the market sectors that are most important from the CNB's perspective, average nominal earnings rose by 6.9% yoy, whereas the central bank had forecast 7.2%.

Sector	Average monthly nominal wage (CZK, NSA)	Average nominal wage (% , yoy)	Number of employees (% , yoy)
Czech Republic, Total	46,924	6.7	0.4
Agriculture, forestry, and fishing	33,945	6.3	-1.3
Industry total	46,321	5.6	-1.7
Mining and quarrying	49,455	3.2	-11.1
Manufacturing	45,261	5.8	-1.8
Electricity, gas, steam and air conditioning supply	83,725	3.3	1.4
Water supply, waste management and remediation activities	41,259	4.4	2.7
Construction	40,398	10.3	0.8
Wholesale and retail trade, repair of motor vehicles and motorcycles	44,674	5.8	0.6
Transportation and storage	42,795	7.7	-0.2
Accommodation and food service activities	27,953	9.2	1.8
Information and communication	92,288	8.8	1.0
Financial and insurance activities	84,069	6.0	0.6
Real estate activities	47,411	12.4	7.7
Professional, scientific, and technical activities	61,594	10.9	2.2
Administrative and support service activities	34,803	7.6	0.5
Public administration and defence	46,942	5.1	0.4
Education	41,413	6.7	1.9
Human health and social work activities	49,935	4.8	2.9
Arts, entertainment, and recreation	41,343	10.0	1.0
Other service activities	34,731	4.3	5.7

Source: CZSO, Economic & Strategy Research, Komerční banka

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