

Czech Republic: Record high wage growth in 2Q17

Soaring wages are driven by favourable economic performance



7.6%

Czech wage growth

2Q17 (year-on-year)

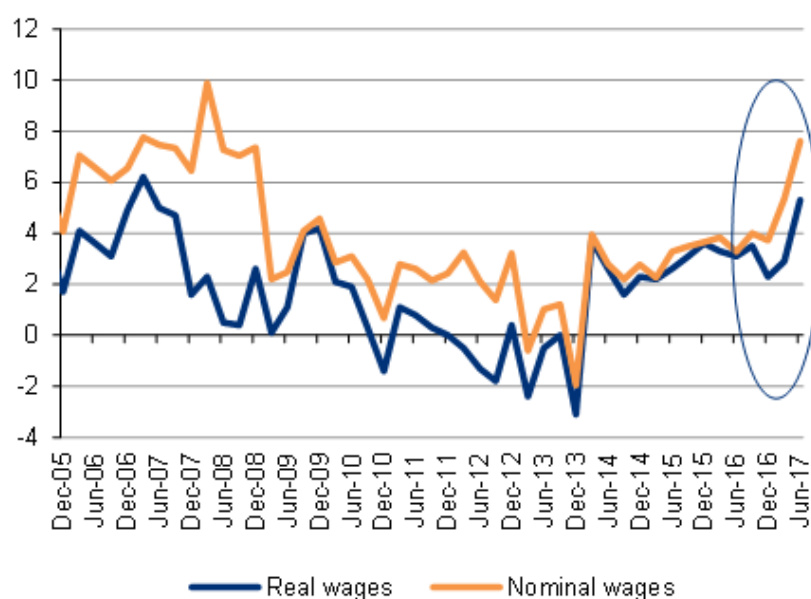
Better than expected

Wages in the Czech Republic grew 7.6%, year-on-year in the second quarter of this year, beating expectations. We're seeing the strongest growth dynamics in a decade.

Soaring wages are driven by a favourable economic performance and an historically-low unemployment rate, but also an increase in tariffs of state employees and a double-digit rise in minimum wages in the last couple of years. Those soaring wages are also driven by a newly introduced online sales registration system which pushes compensation of workers in the food service sector from the grey zone to official statistics. Wage growth here was particularly strong, rising almost 16% YoY and it contributes to the total wage growth dynamics by 0.4 percentage points.

Czech wage dynamics

Percentage, year-on-year



Source: CZSO

We believe these solid wage growth dynamics will continue in for the rest of the year and total wage growth will easily surpass 6% this year. This should further support consumer confidence and households' spending, which is already apparent in strong retail sales date (excluding cars), which picked up by 6% YoY in 1H17; that's double the rate in the entire EU(2.5%) and the fifth strongest YoY growth among EU countries.

Though 2Q17 GDP growth of 4.7% YoY was slightly 'optically biased upwards' due to working day adjustments, Czech economic growth is strong and broad-based, wages are accelerating, bringing demand-driven inflationary pressures. All in all, conditions for another CNB hike in November are being met.

Czech wage segmentation

2Q17 (%YoY)



Source: CZSO
Q217, percentage year-on-year