

Czech wage growth increases well above expectations

Faster Czech wage growth will support future spending as the economy slowly recovers



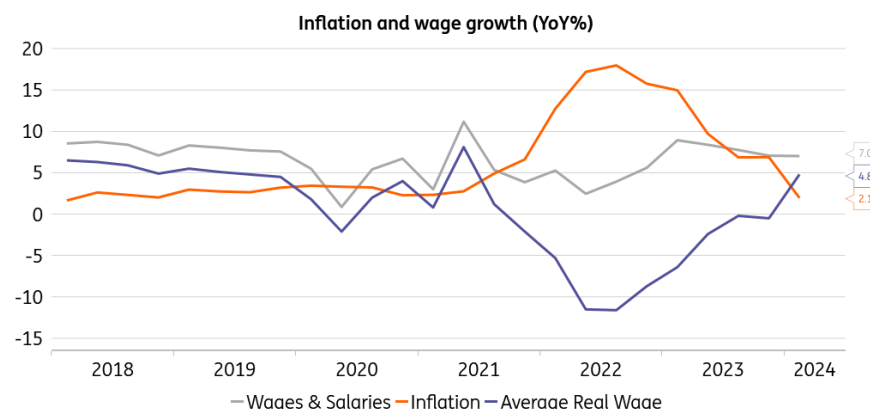
People in central Prague

Real wage growth back in the spotlight after nine quarters

The Czech average gross monthly nominal wage per head rose by 7.0% YoY in the first quarter of the year. And in real terms, it increased 4.8% year-on-year. This is a welcome boost to future spending amid a hesitant recovery.

Both readings came in well above market expectations and 0.6pp stronger than the CNB projection. Real wage growth turned positive due to lower consumer inflation after nine quarters of decline. That said, real wages did not increase across all sectors. The average wage jumped to USD1,941, while the median wage picked up to USD1,619.

Strong real wages reflect so far-tamed inflation



CZSO, Macrobond

Stronger wage growth and consumption to be considered in CNB's decision

This renewed real wage growth is a welcome boost to household budgets, which should drive appetite for spending in the coming quarters. The turnaround is key to economic recovery, with nominal wage growth seen to have been lagging behind consumer inflation for too long.

Seasonally adjusted average wage growth in the first quarter of this year was 1.7% compared to the previous quarter. The stronger nominal wage growth and more robust consumer spending in 1Q24 will factor in the central bank's current easing-cycle decisions. Our base case is to see a 25bp cut.

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