

ANALYSIS

9 March 2012

COMMENTARY: DEVELOPMENT OF AVERAGE WAGES OF EMPLOYEES IN 2011

Average wages – Q4 2011

In Q4 2011, following the period of a gradual growth of the average real wage, it fell for the first time in the Czech Republic.

Overall the average real wage decreased by 0.4%, year-on-year. This was caused due to coincidence of two factors. While in the first three quarters the year-on-year nominal increase fell in the interval of 2.2% and 2.4%, the latest increase was mere 2.0%. This decrease in the nominal growth was the first yet the less important factor.

The second, stronger factor was the increasing price level (inflation). The consumer price index reached significantly higher value (102.4%) in Q4 2011 than in previous periods and actually was the highest since 2008.

Respective sections and sectors of the national economy saw certainly a different **development in real wage** in the course of 2011. While in the non-business sphere the average wage did not grow in real terms in any quarter of 2011 this trend appeared in the business sphere at the end of the year and it was the first ever recorded drop in the real wage in this year. Indices of the real wage for respective sections of the CZ-NACE classification are shown in table below.

ECONOMIC ACTIVITY according to CZ-NACE	2011				
	Q1	Q2	Q3	Q4	Q1 to Q4
TOTAL	100.5	100.5	100.6	99.6	100.3
A Agriculture, forestry and fishing	99.7	98.5	99.3	99.8	99.4
B Mining and quarrying	102.9	103.6	102.2	99.4	102.0
C Manufacturing	102.2	102.8	101.5	99.8	101.6
D Electricity, gas, steam and air conditioning supply	106.1	102.4	99.2	95.2	100.6
E Water supply; sewerage, waste management and remediation activities	100.1	101.2	102.7	95.2	99.7
F Construction	100.3	98.4	99.8	99.0	99.4
G Wholesale and retail trade; repair of motor vehicles and motorcycles	101.0	102.4	102.5	101.1	101.8
H Transportation and storage	101.3	98.3	99.3	98.1	99.2
I Accommodation and food service activities	101.3	101.0	100.7	96.7	99.9
J Information and communication	101.6	101.1	100.4	100.1	100.8
K Financial and insurance activities	100.6	100.6	101.2	99.3	100.4
L Real estate activities	102.6	103.3	103.8	101.7	102.8
M Professional, scientific and technical activities	98.4	97.3	94.8	97.9	97.2
N Administrative and support service activities	102.0	101.6	101.9	95.7	100.2

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ECONOMIC ACTIVITY according to CZ-NACE	2011				
	Q1	Q2	Q3	Q4	Q1 to Q4
O Public administration and defence; compulsory social security	94.2	95.2	97.9	96.2	95.9
P Education	99.5	99.9	101.2	103.2	101.1
Q Human health and social work activities	98.6	100.3	101.3	101.9	100.6
R Arts, entertainment and recreation	97.7	98.4	97.8	97.5	97.8
S Other services activities	104.8	102.1	104.1	103.3	103.5

The growth in the nominal average wage itself is determined by simultaneous developments in two indicators as follows: the number of employees and volume of wage resources paid.

The **registered number of FTE employees** fell by 0.6% in Q4 2011 compared to the same period of the previous year. That means a drop by almost twenty-three thousand employees when the continuous decline in staff in the non-business sphere (-1.0%) was joined by a decrease in the business sphere (-0.5%).

In majority of activities the number of employees was reduced by the end of the last year. The deepest drops in the number of employees both in absolute numbers and relatively occurred in three "traditional" sections of CZ-NACE as follows: 'construction' (-6.9%, i.e. by 17.1 thousand), 'accommodation and food service activities' (-5.2 %, i.e. by 5.8 thousand), and 'public administration and defence' (-4.4%, i.e. by 12.8 thousand). Employment declined by over one per cent also in 'arts, entertainment and recreation' (-2.6%), 'mining and quarrying' (-2.4%), 'transportation and storage' (-2.2%), and 'education' (-1.3%). Thus solely 'manufacturing', in which the number of employees increased by 17 thousand, i.e. by +1.6%, has remained the solid anchor of the Czech economy.

The volume of wages overall increased by 1.3% in Q4 2011 yet it is a very faint increase.

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The **cumulated data for Q1 to Q4 2011** indicate a slower decline in the number of employees (-0.2%, i.e. by 9.1 thousand) and an increase in the average wage by 2.2% nominally and by 0.3% in real terms. The year 2011 is characteristic by a divergence of the two spheres as follows: in the business sphere the number of employees increased by 0.1% and the average wage also grew by 0.8%, the non-business one, on the contrary, experienced a decline in the number of employees by 1.9% and a decrease in the average wage by 1.8% in real terms. This trend began already in 2010, and got even more pronounced in the year after.

Only a few economic activities, in which both the number of employees and the average wage grew substantially, may call the year 2011 a good year. These were the CZ-NACE sections as follows: 'other services activities', 'real estate activities', 'administrative and support service activities', 'financial and insurance activities', 'information and communication', but also 'wholesale and retail trade'. Industry, especially 'manufacturing', had good times.

Among economic activities, which were losing in both the profiles, there was, first of all, 'public administration and defence; compulsory social security', in which the reduction of employees

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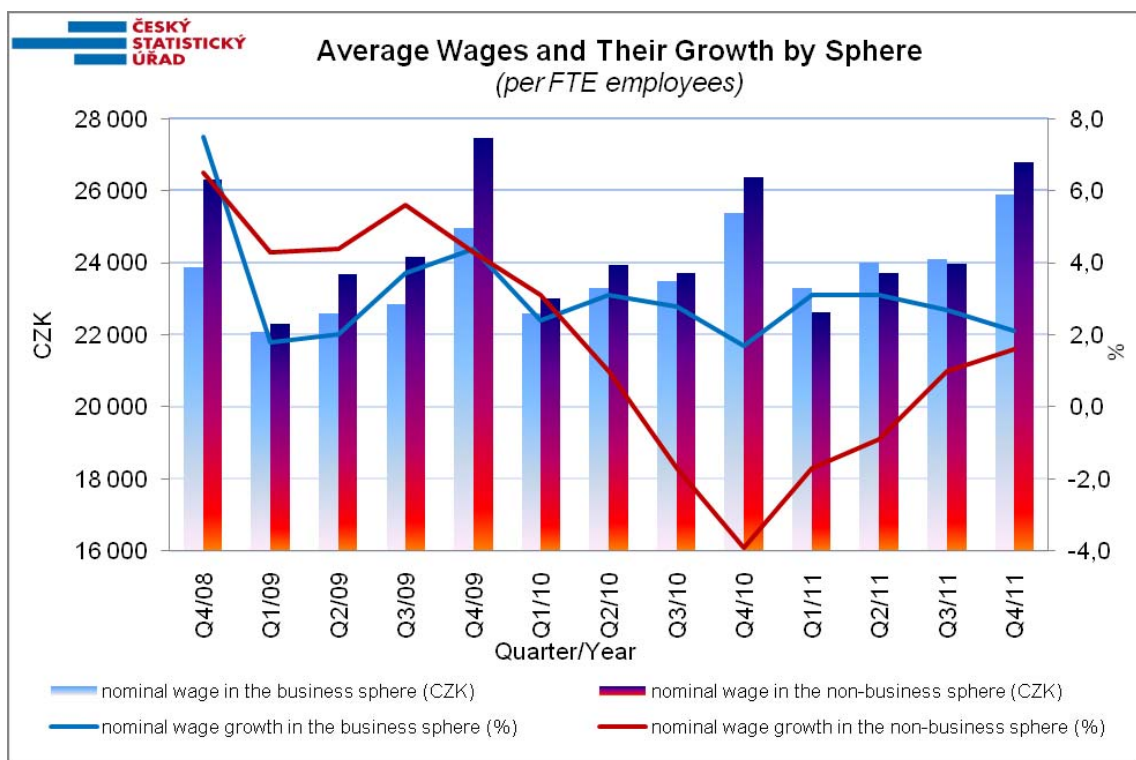
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was accompanied with a significant drop in the nominal average wage. Other economic activities, that also lost, were 'professional, scientific and technical activities' and 'arts, entertainment and recreation'. In 'construction' a low growth in wages was accompanied by a substantial drop in the number of employees by 6.6%.

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The **minimum wage** has showed no change since January 2007 and accounts for CZK 8 000.



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