

## 6. Labour Market

The labour market has been reviving this year. Branch-differentiated employment growth continued. Wage growth accelerated significantly in Q2.

The strengthening of the economy's performance is increasingly reflected on the labour market this year. Employment growth accelerated, nevertheless its focus still lay on services, which benefited from growing domestic demand. The influx of workers from abroad continued to a larger extent. Employment expectations improved in Spring and subsequently stabilised, while a positive shift was evident in both trade and construction. The unemployment rate increased slightly, mainly due to the worse position of men. The supply of vacancies did not increase significantly. Year-on-year nominal wage growth accelerated significantly in Q2. As the price level stabilised in the economy, real wage growth continued rapidly, which was again evident in all major branches. However, the purchasing power of gross employee earnings was still below the 2019 level.

The rate of employment growth increased. The absolute number of workers in the Czech Republic has again moved to an all-time high this year.

The employment growth rate has been increasing this year. While the total employment<sup>1</sup> only stagnated, quarter-on-quarter, in H2 last year, despite a very slightly strengthening performance of the economy, it increased by 0.4% in Q1 2025 and by 0.5% in the following period. This recovery was due to some services activities (especially significant group trade, transport, accommodation and food service activities), but also industry, where the situation partially stabilised and the number of workers did not decrease, quarter-on-quarter, here in Q2 anymore. Total employment in the economy has thus reached a record 5.51 million persons and was higher by 2.5% (+134 thousand) compared to the peak value from the last boom period (Q4 2018), mainly as a result of development of public services<sup>2</sup>.

The focus of employment growth continued to be on public services.

The total employment increased by even 1%<sup>3</sup>, year-on-year, in H1 2025. This was almost exclusively due to employees, who added 55 thousand. The number of self-employed persons rather stagnated (it even decreased slightly in Q2 alone, for the first time in the last four years). From the view of activities, public services<sup>4</sup> continued to determine the total employment dynamics in the economy, where growth accelerated slightly this year (to 2%). These services responded to high demand associated with longer-term changes in the age structure of the population (education, health and social care). However, employment increased relatively the most in the small real estate activities (+5.6%), where both the number of employees and self-employed went up. This also applies to professional, scientific, technical and administrative activities (+1.4%), which mainly concentrate specialists providing advanced support services for businesses. Other service activities<sup>5</sup> continued to develop, with 3.7% of workers added this year, and employment in this sector, which was strongly affected by anti-pandemic restrictions, exceeded the level of pre-crisis 2019 for the first time. Slower growth persisted (+1.1%) in the group trade, transport, accommodation and food service

Real estate and more advanced business services also performed well, with an increase of both employees and the self-employed.

<sup>1</sup> Data regarding employment stem from the national accounts' conception. They are expressed in physical persons and adjusted for seasonal effects. Unlike the data from the business statistics or the labour force sample survey (LFSS) also include for instance the estimation of the grey economy impact.

<sup>2</sup> 11% more people (+114 thousand) were employed in the public administration and defence, education, human health and social work activities in Q2 this year compared to the end of 2018. Increases in construction (+9%), information and communication (+16%), professional, scientific, technical and administrative activities (+6%) and real estate also had a significant impact.

<sup>3</sup> Unlike last year, domestic employment grew faster than in the EU, where it grew by 0.4% in H1 this year. In contrast to the trend in the Czech Republic, in addition the current employment growth rate has also slowed down in the Union (as well as the euro area). Similarly to the Czech Republic, the expansion of job vacancies occurs exclusively in construction (+0.6%) and services – relatively the most in real estate activities (+3.9%), finance and insurance (+1.6%) and also in activities with a predominant role of the state (+1.3%). On the contrary, the number of workers is decreasing in manufacturing (-0.8%), where the situation is rather deteriorating, which also applies to the primary sector (-4.6%). Among the individual states, the total number of workers increased the most in Malta (+3.8%) and Ireland (+2.8%), and among the major economies, mainly in Spain (+2.8%) and Italy (+1.4%). On the contrary, a decrease occurred in a third of the member countries – mainly Romania (-4.4%), Latvia (-1.7%), Estonia (-1.0%) and Finland (-0.8%), while a slight decrease occurred in France and Poland. In Germany, employment has stagnated this year (as it did for most of last year), in that there was a decline of 2% in manufacturing (the deepest in the last four years). There were no signs of recovery in Europe's largest economy from quarter-on-quarter rates either (total employment further stagnated and jobs in industry continued to decline).

<sup>4</sup> For simplification they include division public administration and defence, education, human health and social work activities.

<sup>5</sup> These include in addition to cultural, amusement and recreational activities, for instance various services for households (repair of goods, hairdressing and cosmetic activities, etc.). Employment is comprised of more than one third of small entrepreneurs in this branch.

There was no increase of the number of workers in the financial and insurance activities, as well as in the ICT branch this year, and the number of self-employed people even shrank here.

activities. On the one hand, trade and tourism-related activities prospered, simultaneously however, jobs in transportation and storage were destructed, which was related to the persistently weak dynamics of performance in industry. Total employment has been growing only slightly in recent quarters within the radius of the most advanced services included in the quaternary sector of the economy – the number of employees even decreased slightly, year-on-year, in the ICT sector (by 0.6%) this year, which was the first decline in the first half-year since 2012. It mainly reflected the reduction of self-employed persons. The number of employees remained at the level of last year's H1 in the financial and insurance activities, as the decrease of the number of self-employed was offset by a slight recovery of the number of employees<sup>6</sup>.

Employment growth accelerated in construction, also thanks to the strengthening of the role of small entrepreneurs.

Among the traditional branches of material production, only construction was successful this year, where small entrepreneurs were also behind the almost 2% employment growth. On the contrary, the number of workers in manufacturing has been declining, year-on-year, for the fourth year in a row. However, this year's reduction is relatively milder (–0.5%), but similarly to the last year, it was driven by both employees and the self-employed. Difficulties with the sale of goods, uncertainty regarding the nearest development in international trade relations, as well as persistent cost pressures related mainly to the energy intensity of production do not yet provide much room for growth of new job creation. The situation was somewhat more favourable in other industries, as a slight increase of employment in energy industry, water and waste management was sufficient to compensate for the deepening decline in the relatively small mining and quarrying. Employment here has thus effectively stagnated for the fourth year in a row. The total number of workers remained unchanged in agriculture, forestry and fishing, but there was a recovery in the self-employed category after two years.

The reduction of employment in manufacturing has moderated. The situation in many traditional export industries is still difficult.

The number of hours worked expanded faster than the physical number of workers.

The total number of hours worked<sup>7</sup> in the economy increased by 1.7%, year-on-year, in H1 this year. As in previous years (since the retreat of the COVID-19 pandemic), it has increased faster than the number of employed persons (in natural persons). Faster growth of hours worked compared to employed persons is evident this year for both employees and the self-employed. Overall, this year, as last year, it is visible mainly in the primary and secondary sectors of the economy, which may also be related to the lack of manual skilled and less skilled workers on the market. The fact that in recent years there has been an increase in the number of workers with two or more jobs was also evident. The number of hours worked in the economy was compared to H1 2019 higher by 3.5% this year, in that there were 5.2% of self-employed<sup>8</sup>.

Labour productivity growth has resumed. It was evident in most major industries this year.

The acceleration of economic performance led to a strengthening of labour productivity this year, even with a relatively significant growth of hours worked. Hourly productivity<sup>9</sup> increased by 0.8%, year-on-year, in H1 this year, growing for the first time since 2021. It increased the most in ICT (+8.2%), and it also grew rapidly in finance, construction or non-manufacturing industries. It decreased only in public services, real estate activities and the primary sector. There was also a positive turnaround in productivity expressed per worker (in natural persons), which increased slightly, year-on-year, already in H2 2024.

The number of foreigners in employee status has risen to a record 892 thousand.

The long-term low supply of vacant labour force in the Czech Republic (due to demographic ageing as well as low birth rates) together with the growing pressure of companies to optimise production costs continued to stimulate the growing demand of

<sup>6</sup> In the longer term, however, the trends in both main groups of workers are opposite. The number of employees is decreasing in connection with the rapid development of digitalisation, by contrast the number of self-employed is rather slightly increasing.

<sup>7</sup> Data stem from the national accounts' conception.

<sup>8</sup> An analogous increase was 2.6% for the number of manual workers, of which 3.4% for the self-employed.

<sup>9</sup> Expresses seasonally adjusted GDP in constant prices per hour worked by employed persons (after seasonal adjustment).

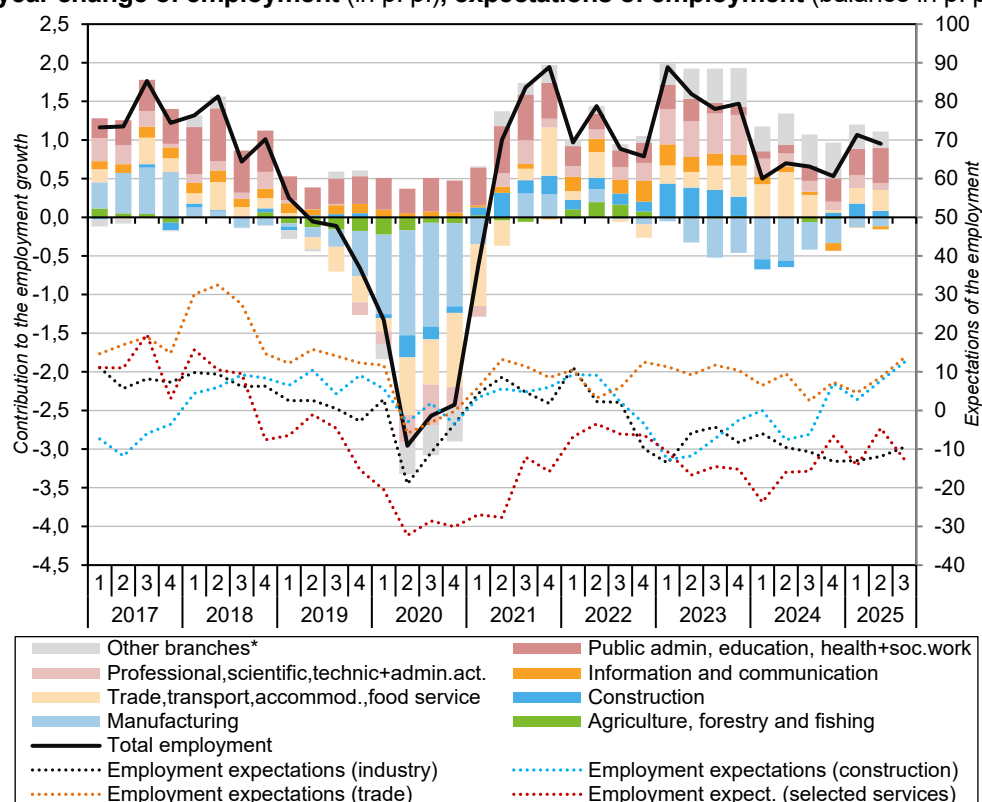


Their increase was still driven mainly by the citizens of Ukraine.

The influx of people from some Asian countries has accelerated. The number of workers from Central and Eastern Europe has rather stagnated, year-on-year.

domestic employers for workers from abroad. Legislative changes reducing administrative demands in this area help to facilitate the employment of foreigners. This applies to both Ukrainian citizens<sup>10</sup> and foreigners from other countries, not only from economically less developed countries outside the EU<sup>11</sup>. The long-term influx of foreign workers to the Czech Republic thus continued. A record 892 thousand were registered at labour offices at the end of August this year (84 thousand more, year-on-year) in the dominant group of employees. The highest year-on-year increase was traditionally recorded for citizens of Ukraine (+46 thousand to 329 thousand, of which women +27 thousand, to 178 thousand), followed by Slovakia (+13 thousand, to 223 thousand), the Philippines (+4.0 thousand, to 12.6 thousand) and Vietnam (+2.5 thousand, to 22 thousand). Among the still relatively significant groups of foreigners, the number of citizens of India, China, Kazakhstan and Uzbekistan grew relatively rapidly (both slightly over 20%). In contrast, in a number of large groups of workers from poorer countries of Central and Eastern Europe – mainly from Poland, Bulgaria and Romania – their number almost stagnated, while for Serbia and Turkey it decreased slightly (up to 5%). This is associated with the gradual balancing of wage levels in this region.

**Chart 13 Total employment (year-on-year in %), contributions of branches to year-on-year change of employment (in p. p.), expectations of employment (balance in p. p.)**



\* Mining and energetics; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation activities. Note: Balance of expectations expresses the difference in p. p. between categories growth vs. decrease of employment in the nearest three months. Data are seasonally adjusted and relate to the second month of the given quarter. Source: CZSO (national accounts), Eurostat (business cycle surveys).

The employment rate of females aged 15 to 64 is growing rapidly. The trend is opposite for

The above trends were reflected in the ongoing slightly strengthening growth of the economic activity rate, which mainly seeped into employment this year, as in most of 2024. The employment rate<sup>12</sup> (persons aged 15–64) reached 75.8% in July and

<sup>10</sup> Almost four-fifths of all Ukrainian citizens (or 70% of males and 90% of females) working in the Czech Republic in an employment status did not need a work permit (work permit, the employee card or blue card) at the end of Q2 2025.

<sup>11</sup> As of 1<sup>st</sup> July 2024, foreigners from some economically developed countries outside the EU (USA, Great Britain, Canada, Australia, New Zealand, Japan, South Korea, Israel and Singapore) do not need a work permit or employee cards in the Czech Republic. 9.5 thousand people from these countries were employed in the Czech Republic at the end of August this year, up 2%, year-on-year.

<sup>12</sup> These are data in a new model of seasonal adjustment – using the trend-cycle. The innovated adjustment model better reflects changes in the nature of the labour market and seasonality. The monthly unemployment rate is similarly adjusted as well.

males, and they are thus widening the number of economically inactive to a larger extent.

increased by 0.7 p. p., year-on-year. While the decrease gradually deepened for males (up to -1.1 p. p.), the opposite trend is evident for females (+2.7 p. p.). The difference in the employment rate between the genders is thus quickly eliminated (currently it was 8.6 p. p., two years ago it was 13.6 p. p.). The development for females is linked to the overall recovery of the services sector as well as the steadily rising employment in public services, the expansion of part-time work<sup>13</sup>, the growing education of women<sup>14</sup> and also the still faster shift of the retirement age (compared to men)<sup>15</sup>. The continuing lowering of the birth rate, leading to a reduction of the number of women outside economic activity (on parental leave), may also have an impact.

Short-term employment expectations of firms left negative band over the summer and approached the long-term average.

Short-term expectations of domestic companies in the area of their own employment<sup>16</sup> gradually improved over the past year. The beginning of this year brought (not only in the Czech Republic, but also in the EU or the euro area) a short-term strengthening of the negative outlooks, which reflected the growing uncertainty of entrepreneurs likely stemming from external (foreign) factors. However, the outlook began to improve slightly again during Q2 and the aggregate indicator of employment expectations in the Czech Republic climbed nearly to three-year high in the summer (and its level corresponded to the long-term average). Positive expectations distinctly strengthened in trade and construction but remained in the negative band in industry and services without major changes. According to the August 2025 business cycle survey, a reduction of the number of employees was expected (without taking into account seasonality) over a three-month horizon 27% in services and 15% in industry, but only 4% both in construction and trade. In contrast, recruitment plans were most evident in trade (17%), construction (15%), selected services (14%), and only 7% of companies anticipated an increase of employment in industry. The situation at the level of sub-sectors within industry and services differed<sup>17</sup>. The share of enterprises for which labour shortages represent one of the significant growth barriers<sup>18</sup>, was traditionally the highest in construction (47%) at the beginning of Q3. The opposite situation prevailed in industry (10%) and services (11%). While the role of this barrier decreased slightly, year-on-year, in industry, the opposite was true in construction and services.

Optimism was rising in trade and construction.

Shortage of workers further afflicts mainly construction companies.

The general unemployment rate has started to increase

Despite the difficulties of some (mainly industrial) businesses, the general unemployment rate<sup>19</sup> has not increased significantly in recent quarters. The developing

<sup>13</sup> According to the LFSS figures, 9.6% of all workers in the Czech Republic practiced in Q1 this year (of which 14.6% were women). This share has increased by 2.7 p. p. (of which for females by 3.6 p. p.) over the last three years. Workers working this way were concentrated in public services the most, and in the case of females also in trade. Although these job contracts are mainly associated with higher flexibility, some of them are not entirely voluntary (55 thousand women, i.e. almost a sixth of the total number of women working in this way, state that only part-time work was available to them). Even though the rise of the share of all part-time workers in the Czech Republic was one of the highest in the EU in the last three years (together with Denmark, where it increased by 3.3 p. p.), their overall distribution is still significantly below average. For example, only 13.8% of women aged 25 to 49 years worked in this form in Q1 2025, 25.9% in the EU and 56.7% in the Netherlands. On the other hand, only Estonia (17.2%) and Malta (15.8%) had a higher share than the Czech Republic among the countries that joined the Union after 2000.

<sup>14</sup> Increasing education is generally associated with higher participation on the labour market, especially in upper middle or post-productive age. According to the LFSS data, the number of university-educated working women increased by 73 thousand, year-on-year, in Q2 this year.

<sup>15</sup> This is also reflected in the increase of working women aged 60 and over. According to the LFSS data, it was 9.6%, year-on-year (+24 thousand persons) in the Q2 2025.

<sup>16</sup> Unless stated otherwise, seasonally adjusted data are used from now on.

<sup>17</sup> The prevailing negative expectations of employment were expressed by businesses in a slightly more than one half of manufacturing industries. The worst prospects were held in metallurgy and foundry, the electronics and textile industries and the production of building materials, followed at a margin by the engineering, chemical and leather industries, as well as manufacturing of motor vehicles and motorcycles. On the contrary, positive employment prospects persisted mainly in manufacturing of rail transport vehicles, repairs of machinery and equipment, and to a lesser extent in rubber and plastics industries, pharmaceuticals and food industry. Negative expectations prevailed in a third of sub-sectors in services. It was the most evident in veterinary activities, telecommunications, publishing activities, finance activities, land transport and, to a lesser extent, in advertising, legal and accounting activities, insurance activities, as well as in small branches of the motion picture and music publishing activities and in water transport. By contrast, optimism prevailed in accommodation, information activities, science and research, programming, warehousing and support activities in transportation, security and investigation activities, as well as in the gambling and betting activities.

<sup>18</sup> Businesses could have stated more barriers simultaneously.

<sup>19</sup> Unless stated otherwise, all data regarding the unemployment rates are sourced from the LFSS (based on the ILO methodology) and are adjusted for seasonal effects.





slightly this year, especially for males.

The long-term unemployed also increased slightly. However, their share on total unemployment is not yet very high.

The size of the potential labour reserve remained low.

The number of registered job applicants has increased. Their share on the working-age population was the highest in the last nine years.

There is a noticeable excess of the number of job applicants over job vacancies in the vast majority of districts. The

services have been able to a large extent to absorb the laid-off workers from some of the declining industries. The adjusted unemployment rate (persons aged 15–64) was 3.0% in July this year (males: 2.7%, females: 3.3%)<sup>20</sup>, it increased very slightly, year-on-year: +0.2 p. p., somewhat higher increase was recorded for males. The number of the long-term unemployed went also up mildly – they accounted for 31% of the total number of jobless persons in Q2 2025 (this is below average in the long-term and international context). The size of the potential labour reserve (i.e. economically inactive persons not looking for work but reporting their willingness to work) has virtually stagnated, year-on-year (at less than 83 thousand persons)<sup>21</sup> and remains low in the long term. Although this represents a meaningful problem for many employers, on the other hand, it is also a positive signal indicating that the extent of hidden unemployment (in the form of "escaping" into economic inactivity) is currently not significant on the domestic labour market.

Neither data from the Labour Offices (LO) do not yet indicate a significant cooling of the domestic labour market. The seasonally unadjusted share of registered job applicants on the total population of persons aged 15 to 64 reached 4.4% at the end of July this year (males: 4.0%, females: 4.9%). This was 0.7 p. p. higher, year-on-year (a slight increase of unemployment continued continuously throughout last year, this year the year-on-year pace increased slightly<sup>22</sup>). The last time unemployment in July was higher than the current one was in 2016 (5.4%). Unemployment in the Czech Republic is traditionally significantly regionally differentiated<sup>23</sup>.

LOs registered (according to the new methodology) 95.6 thousand job vacancies<sup>24</sup> at the end of July this year (in principle, only vacancies with a registration period of less than 6 months), i.e. 15% more than at the end of January this year. Month-on-month

<sup>20</sup> Low unemployment also prevails in the EU - the seasonally adjusted unemployment rate (persons aged 15-74) was 5.9% in the EU and 6.2% in the euro area in July this year. In both cases, there was a very slight year-on-year and month-on-month decline (-0.1 p. p.), which was slightly more pronounced for females, which is related to better results of services compared to industry. Total unemployment in the EU is currently the lowest in the available time series (since 2000) and is about 1 p. p. more favourable compared to the beginning of 2008 (in both the EU and the euro area). Despite a slight increase, domestic unemployment (2.8%) was still the second lowest in the EU (after Malta with 2.6%). Slovenia (2.9%), Poland (3.1%) and Bulgaria (3.7%), the Netherlands (3.8%) had a very good position and also Germany (3.7%), where, however, the current unemployment rate was one of the highest since 2016 (this is also confirmed by data from the Federal Employment Agency – over 3 mil registered job applicants for the first time in the last decade). Spain (10.4%), further Finland (9.9%), where the situation is significantly worsened by males: 11.1%, Sweden (8.9%), Greece (8.0%), France (7.6%) and all the Baltic states (both around 7%) were situated at the opposite pole, despite year-on-year improvement. Year-on-year, unemployment decreased in eleven EU countries – the most in Greece (by 1.8 p. p.), Slovenia (1.2 p. p.) and Spain (1.1 p. p.). Greece fell out of the trio of EU member states hit by the highest general unemployment rate for the first time since Spring 2011 this year. The increase in unemployment occurred mainly in the Nordic countries – Finland (+1.4 p. p.) and Denmark (+0.7 p. p.), it was rather small elsewhere. The Czech Republic also has a favourable position in youth unemployment, as it has long been one of the third of the EU countries with the lowest unemployment of people under 25 years of age. It stood at 14.4% in the EU in July this year, down by 0.9 p. p., year-on-year. Germany held the best position (6.3%), while high youth unemployment (over 20%) was in six member states – Estonia, Sweden, Finland, Romania, Spain and Luxembourg. Year-on-year, the position of young people on the labour market has deteriorated in less than a third of EU countries – most notably in Finland.

<sup>21</sup> However, only a fifth of this number was able to start work immediately. A significant part of the work reserves is made up of students and women on parental leave.

<sup>22</sup> The current increase of registered job applicants may also be related to the higher activity of the Labour Office in the field of counselling and retraining, as well as to a more flexible possibility of contact between the Labour Office (digitally at a distance). It cannot be ruled out that people may be more willing and courageous to change unsatisfactory jobs (e.g. with motivation to higher earnings and the expected increase of state support in the event of short-term unemployment).

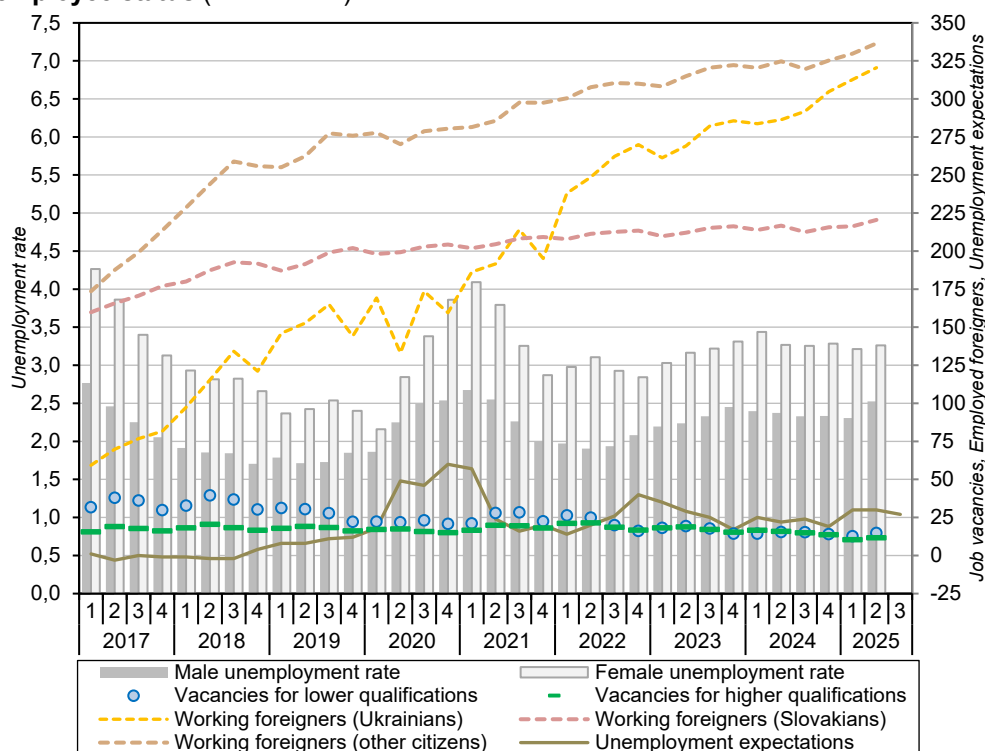
<sup>23</sup> The highest share of unemployed (to the population aged 15-64) was currently recorded for males in the "Karviná district" (9.7%) and females in the "Most district" (11.0%). Total unemployment was higher than 6% in ten districts (belonging to the "Moravskoslezský, Ústecký, Karlovarský and Jiho-moravský regions"), while it was below 3% in the immediate hinterland of Prague and the districts of Rychnov nad Kněžnou (proximity to the motor vehicle industry) and Pelhřimov (higher supply of seasonal work). Year-on-year, unemployment increased in all districts of the Czech Republic – the most in the "Česká Lípa" (from 3.7% to 5.4%), "Sokolov" (from 5.4% to 7.1%) and "Ostrava-město" (from 5.8% to 7.1%).

<sup>24</sup> According to the CZSO's experimental statistics (surveys of enterprises carried out since 2020), the offer of domestic companies was estimated at 105 thousand vacancies in Q2 2025 (these are only employed positions, not temporary jobs, e.g. various types of agreements). The number of job vacancies decreased slightly by 8%, year-on-year (it also declined at a slower pace at the beginning of this year). The current decline of supply was mainly due to the primary sector of the economy, construction, transportation, storage, accommodation and food service activities, as well as administrative and support service activities. The supply of job vacancies in the absolute terms in contrast grew the most in trade and education. Most vacancies were in industry (27 thousand), activities with an important role of the state (27 thousand) and trade (14 thousand).

problem of mismatch between supply and demand in terms of qualification requirements also persists.

growth of job vacancies, mainly linked to the supply of seasonal work, ceased in July<sup>25</sup>. The largest number of applicants per a vacancy is traditionally in the Karviná district (24.4), followed by Sokolov (16.5), Děčín (13.8), Hodonín (12.2), Most, Louny and Jablonec n. Nisou (both just above 9). On the contrary, there is an excess of vacancies over applicants only in the Prague-East and West districts (0.9) and less than 1.5 applicants per vacancy were in Prague, the Mladá Boleslav district, the Tachov and the Cheb district. In addition, there is still the matter of structural mismatch between the job vacancies offered and the qualifications of applicants<sup>26</sup>. People's concerns regarding the rise of unemployment (expressed in business surveys) grew in Q1 this year, and consequently stabilised. They were currently slightly above the long-term average, mildly higher in year-on-year view.

**Chart 14 General unemployment rate (in %, age 15 to 64 years), unemployment expectations of households\* (in p. p.), job vacancies and working foreigners with the employee status (in thousand)\*\***



Note: Figures regarding the unemployment rate are seasonally adjusted.

Vacancies for higher qualifications include positions requiring at least secondary education with A-level or higher education. JV=only job vacancies with a registration period of up to six months (balance at the end of quarter)

\*Seasonally adjusted balance of expectations of unemployment in the next 12 months (difference between percentage frequency of answers of households "growth" and "decrease" expressed in percentage points). Data relates to the middle month of the given quarter.

\*\* Number of foreigners in the status of employees registered at labour offices in the Czech Republic at the end of the relevant quarter. Source: CZSO (LFSS, business cycle survey), MLSA (JV registered at labour offices in the CR, employed foreigners)

Year-on-year growth of average wages accelerated significantly in Q2. This acceleration was evident in most activities.

The average gross monthly nominal wage of an employee in the national economy rose to 49,402 CZK in Q2 2025. It increased by 7.8%, year-on-year. The growth rate accelerated compared to the beginning of the year (6.6%). This does not primarily present the effect of a lower comparative basis, as seasonally adjusted wage strengthened by high 2.2%, quarter-on-quarter, in Q2 (the most in the last five quarters). The acceleration of the year-on-year pace is evident across most activities this year (more intensively in the market segment of the economy, less in public services). This is related to the gradual strengthening of the domestic economy performance, including

<sup>25</sup> Companies have reduced recruitment due to vacations and lower need for seasonal workers. Rainier and colder summer weather could have played a role. Both the tourism sector and seasonal sales recorded weaker performance, which further dampened the labour market and demand for temporary workers.

<sup>26</sup> For almost three quarters of job vacancies, only basic education was sufficient for applicants. On the contrary, more than a third of all registered job applicants have at least a high school certificate.

growth of labour productivity (the registered number of employees in converted persons increased by only 0.4%, year-on-year, in Q2). However, it cannot be ruled out that the behaviour of the employees themselves also has a partial influence, as they may be more motivated to change jobs with the vision of higher earnings. The lack of available workers on the market also contributes to the above-average wage pace in a number of activities. On the other hand, wage growth in the economy was still dampened by the need for savings in the budgetary sphere and also by the steadily growing number of foreign workers from "third countries". They often occupy low-skilled positions, and their earnings therefore usually do not reach the level of Czech citizens.

The purchasing power of the average wage has been growing, year-on-year, continuously since the beginning of last year.

With consumer price developments stabilising, average real wage growth climbed to 5.3% in Q2 (the highest since Q1 2024, and the same applies to nominal wage rate). This is growth comparable to the rates from the expansion years 2018 and 2019. However, due to high accumulated inflation during the energy crisis, the purchasing power of the current average gross wage is still slightly lower than the average for 2019<sup>27</sup>. Similarly to the beginning of this year, the purchasing power of average wages grew at least minimally in all major activities in Q2.

Workers in professional, scientific and technical activities have improved their wages the most in both absolute and relative terms.

The aggregate growth of the average wage traditionally masks very diverse developments at the level of individual industries, enterprises or organizations. Above-average nominal wage growth in Q2 this year was concentrated mainly in the market segment of services. Year-on-year earnings increased the most in professional, scientific and technical activities (+12.7%), i.e. in a division based primarily on the work of highly qualified specialists (which is also reflected in the average monthly wage level here: 63.2 thousand CZK). However, earnings also grew rapidly in areas with lower qualification requirements, i.e. in real estate activities (+10.9%, with double-digit employment growth), accommodation, food service activities (+10.4%), administrative and support service activities (+10.1%) and cultural, entertainment and recreational activities (+9.8%).

Higher wage growth in transportation and storage took place amid job cuts.

Due to the persistent problems in industry, wages grew somewhat surprisingly dynamically (+9.6%) in the related transportation and storage activities. Nevertheless, the number of employees continued to shrink, and the attained wage level was one tenth behind the total economy. This lag is equally evident in trade, where in addition wages grew at a relatively weaker pace in Q2. This also applies to financial activities (+5.1%) and ICT (+7.2%). However, the level of earnings in these activities exceeds the level in accommodation, food service activities nearly threefold. Wages in the public services activities<sup>28</sup> also continued to grow below average – mainly in human health and social work activities (+5.6%). They were higher by 7.0% (with higher dynamics concentrated in the area of law enforcement – e.g. the army) in public administration, defence and social security, the same as in education<sup>29</sup>.

Relatively weaker wage growth in financial activities and public services continued.

The construction industry reported rapid wage growth for the second year in a row, which was related to the lack of available workers on the market. The wage pace in mining and quarrying lagged behind this year

Among activities of the material production, wages grew the most in construction (+11.0%), which was associated with the improving economic situation of this activity as well as the persistent long-term problem of shortages of specialists and less qualified workers on the market. This is also partly true for agriculture, forestry and fishing, where wage growth rose to 9.3% in Q2, but the level of earnings is still low (37.7 thousand CZK). On the other hand, wage growth was weaker in manufacturing (+7.5%) and jobs were reduced in most main activities (by 1.7% overall). Higher wage growth was recorded only in the manufacturing of motor vehicles and motorcycles (+10.3%), which is the result of improved production in

<sup>27</sup> In the case of net earnings, the development of their purchasing power is influenced by a slight increase of the tax burden on labour due to the reintroduction of employee contributions to sickness insurance (the total social insurance contribution for employees increased from 6.5% to 7.1%), which was approved as part of the government's consolidation package (with effect from January 2024). On the contrary, the abolition of the super-gross wage (as of January 2021) contributed to the growth of the purchasing power of earnings.

<sup>28</sup> The total wage rate for these activities was lower than in the economy as a whole for the fourth year in a row.

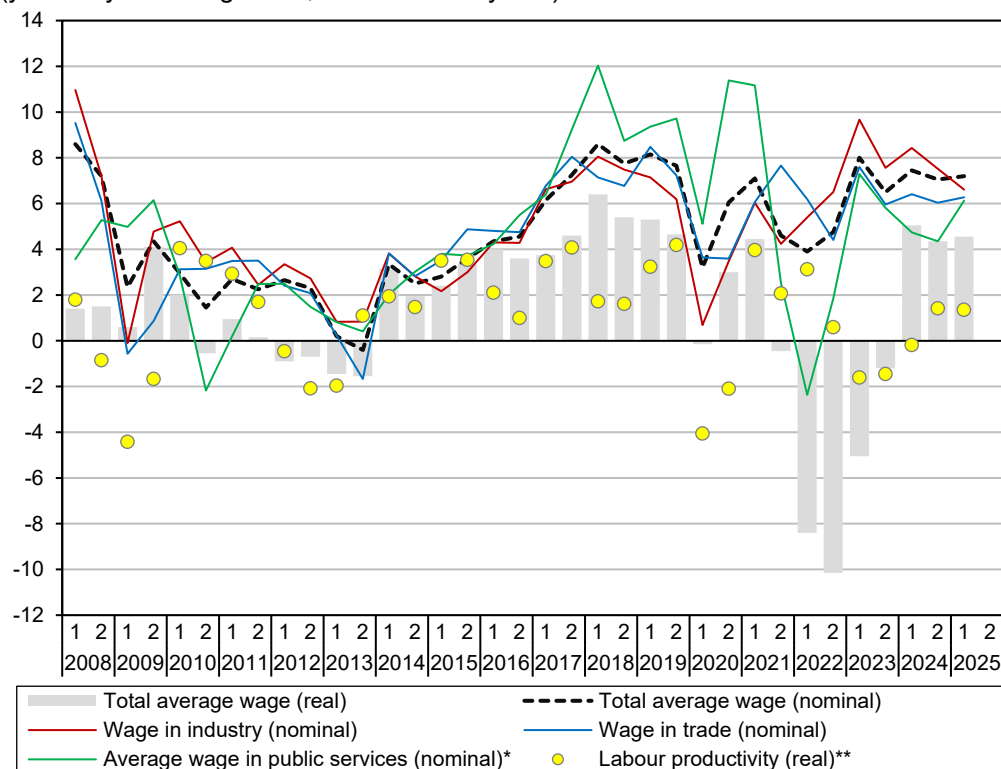
<sup>29</sup> The level of earnings here, including non-teaching staff, was almost a tenth lower than in the total economy.

and last year, and the level of earnings gradually fell to the average of the total economy.

Q2, the strong role of trade unions and also the dismissal of agency workers who usually perform less qualified activities (often in subcontracted companies). Workers in the energy sector currently had a similar wage level as in the manufacturing of motor vehicles and motorcycles (less than 70,000 CZK). However, earnings growth was weaker here (+6.2%) also due to last year's higher base. Standing of the employees in the downturn mining sector improved the least (+4.8%), and the level of their wages (51.7 thousand CZK) has already descended into the wider average range.

**Chart 15 Average nominal and real wage and labour productivity**

(year-on-year change in %, individual half-years)



\* Includes branches with a significant state involvement: Public administration, defence, social security; Education; Human health and social work activities; Cultural, amusement and recreational activities.

\*\* Expresses GDP (in constant prices) related to 1 worker (in natural persons).

Source: CZSO

Earnings in the area of middle wages grew relatively slower than at both extremes. Overall wage differences remained almost unchanged.

Among the regions, average nominal wages grew the most in *Prague* and the *“Moravskoslezský region”* (+8.2% each) in Q2, and the least in the *“Ústecký region”* (+5.6%). The wage level exceeded the level of the total economy only in Prague (+26%) and Central Bohemia (+6%), lagging behind the most in the *“Karlovarský region”* (–15%), *“Olomoucký”* and *“Pardubický regions”* (both by 12%). The median wage amounted to 41.1 thousand CZK in Q2 and increased by 7.2%, year-on-year (for males to 44.5 thousand, for females to 37.9 thousand). The tenth of employees with the lowest wages received a gross wage below the threshold of 22.3 thousand CZK (the lower decile increased by 8.3%, year-on-year), the tenth with the highest wages had earnings above the threshold of 80.9 thousand CZK (the upper decile increased by 8.0%). The area of middle wages thus grew relatively the least, also due to a weaker pace in public services, industry or trade. The total wage differences remained almost unchanged, year-on-year. The gap in median earnings by gender increased slightly by 0.2 p. p., year-on-year, to 14.7%.