

Macro Roundup Article

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Summary: While nominal wage growth has not been exceptionally strong so far, this should not provide too much comfort. Wage adjustments are still influenced by the lingering effects of the norms prevalent in the low-inflation regime, but this could change quickly. The inflation surge has severely eroded the purchasing power of households (Graph 14.A), even more than in past disinflation episodes (Graph 14.B). Some catch-up is on the cards, particularly given the strength of labour markets. While labour's bargaining power declined significantly over the years of low inflation, recent strikes and calls for unionisation suggest that the environment is evolving. What's more, the pass-through from prices to wages has been somewhat higher when labour markets have been tight.

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