

Romania: Wage growth slows

Given the important base effects and budgetary constraints, we expect wage growth to slow down in 2018 but to remain in high single digits due to the tight labour market



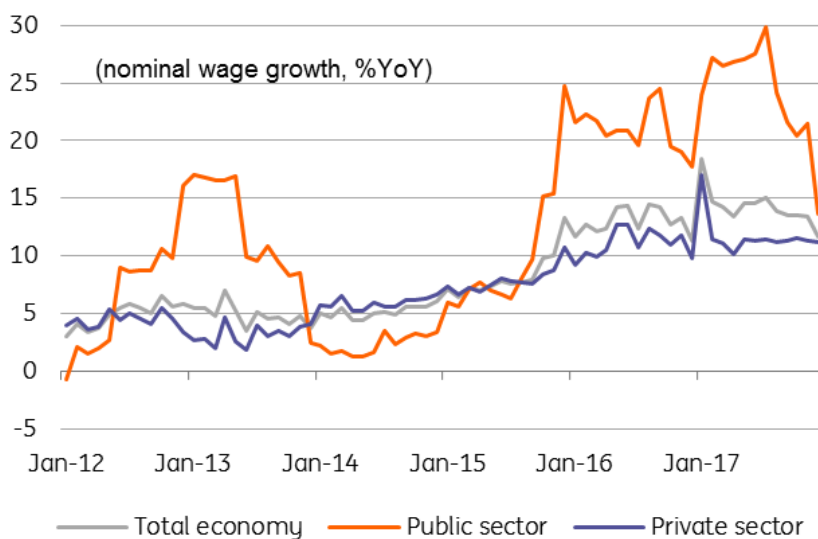
Source: shutterstock

Wages in Romania grew 11.7% YoY in December versus 13.4% in the previous month. The only sectors which saw an acceleration in annual growth in December versus the previous month were industry and education. The former has increased by 12.6% (from 11.6% in November), reflecting the ongoing labour market tightening and good economic momentum, while the latter posted 13.2% growth (from 12.5% in November) although that was almost entirely due to the base effect.

As the December data includes holiday bonuses and annual premiums, industry has been the only sector which posted a larger MoM increase versus Dec-16, likely as a reflection of the good economic sentiment (it reached post-GFC high) but mainly due to supply/demand mismatches in the labour market, which have kept upward pressure on salaries. In the public sector, it looks like generous wage increases during last year left little space for any one-off payments at the end of the year. As some sectors, particularly construction, are dealing with high seasonality, an important driver of the annual earnings increase is also the temporary layoff of employees with lower earnings.

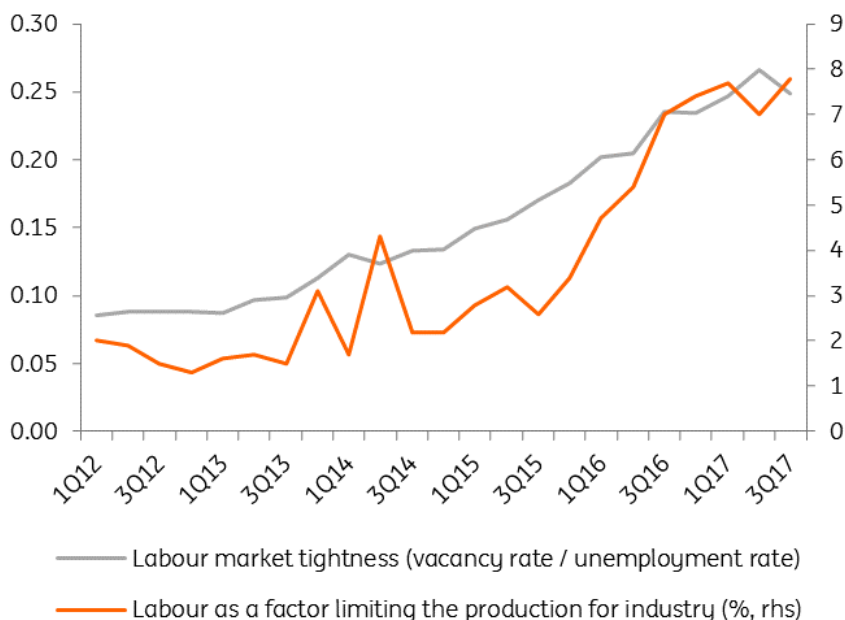
Wage growth slowing...

NIS, ING



...but labour market will keep it under upward pressure

EC, NIS, ING



Looking ahead, for 2018 we expect wage growth to slow further due to important base effects and also budgetary constraints, as 2017 salary increases are incorporated into permanent expenditures this year. However, the labour market is expected to tighten due to cyclical factors in 2018, which will keep upward pressure on wages. Combined with the 10% increase in the net

minimum wage this year, this should keep salary growth in the high single digits in 2018. On top of this, if the government manages to deliver on its promise for large pay rises in public healthcare and education, we could easily see wages go back into double-digit territory.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.