

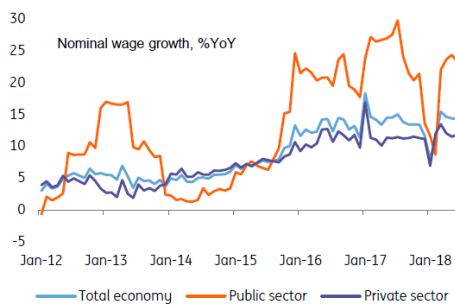
7 August 2018
Snap

Romania: Strong wage growth continues

Average net wages posted a 14.3% year-on-year advance in June, a mild deceleration versus 14.4% in the previous month

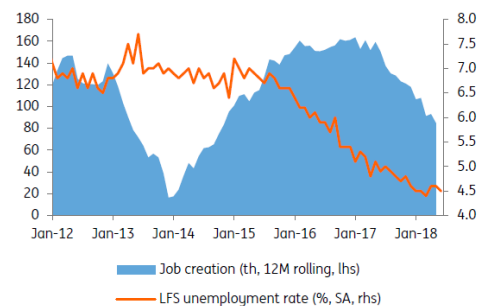
Wage increases in the public sector stood at 23.4% YoY, while pay rises in the private sector are at 11.8% YoY. A tight labour market with an unemployment rate near historical lows, labour market frictions, lack of reforms, migration and public wage policy are the main drivers for this wage growth.

Fig 1 Wage growth driven by public sector pay rises



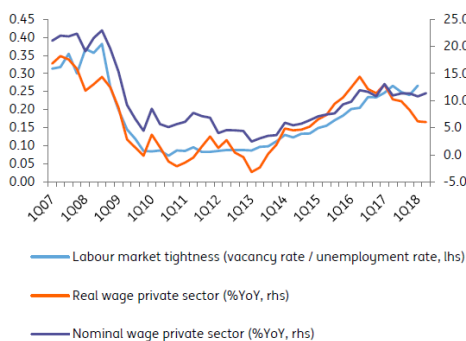
Source: NIS, ING

Fig 2 Job creation is slowing, jobless rate bottoming



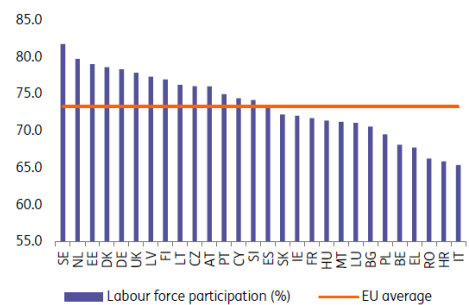
Source: NIS, ING

Fig 3 Tight labour market, but inflation bites in



Source: Eurostat, NIS, ING

Fig 4 Low participation offers hope if addressed



Source: NIS, ING

Despite a flatter Phillips curve, the tight labour market remains a factor for upside risks to the inflation outlook. Hence, we expect the National Bank of Romania to raise its key rate twice, by 25 basis points each, ahead of the first ECB rate hike.

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