

Snap | 7 August 2018 Romania

## Romania: Strong wage growth continues

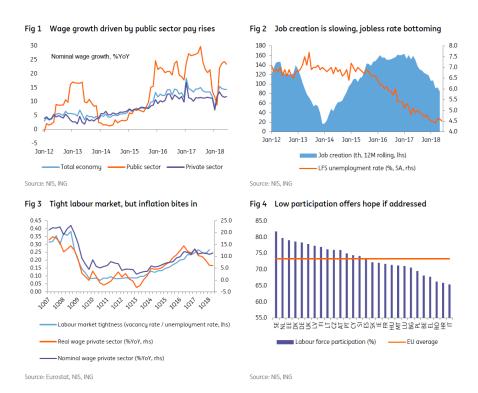
Average net wages posted a 14.3% year-on-year advance in June, a mild deceleration versus 14.4% in the previous month



Source: shutterstock

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.

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Despite a flatter <u>Phillips curve</u>, 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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