

Romania: Net wage growth accelerates in October

While moderation still prevails in the private sector, wage growth and employment remained strong in the public sector



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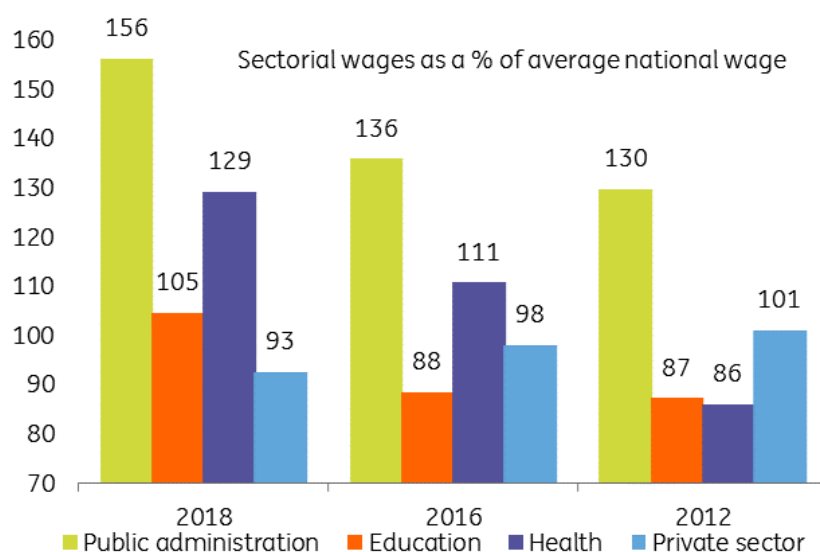
Private sector wage growth remains more tightly managed

For almost three years now, with very few exceptions, wage growth in the private sector has been remarkably stable. It hovers just above the 10% area, with only the construction sector printing higher double-digit growth rates throughout 2018. October 2018 net wages in the private sector posted a 10.2% increase versus October 2017, well below public sector wage growth. For the whole economy, net wages accelerated from 13.1% to 13.7% year-on-year in October.

Public sector: Bring back the doctors

Net wages accelerated again in the public sector, rising by 22.2% year-on-year driven mainly by a 31.1% increase in the healthcare sector. This is the sixth consecutive month when healthcare has grown more than 30%, in an apparent attempt by the government to reduce or even reverse doctor migration. Education rose 19.0% followed by a more “modest” 10.6% increase in public administration.

Public sector roars

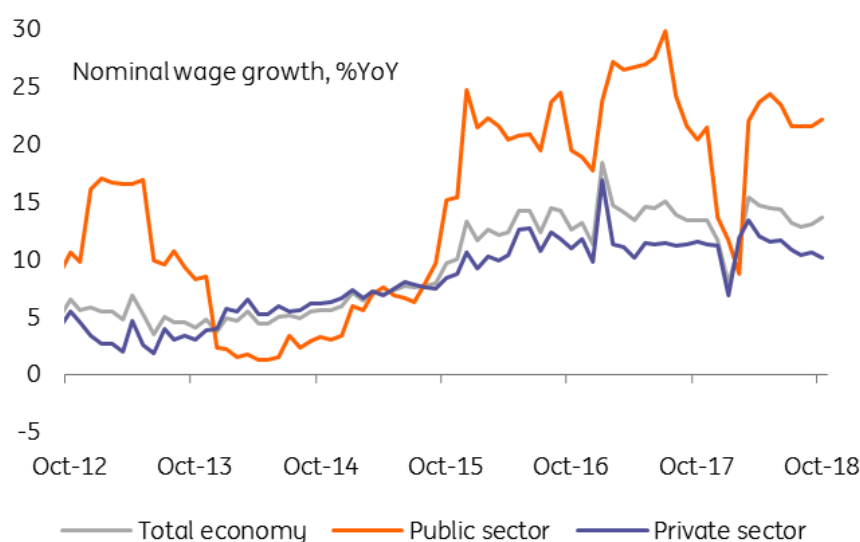


Source: NIS, ING

Another minimum wage hike from 1 January 2019

A 9.5% increase in the gross minimum wage starting 2019 has already been approved. Moreover, for those who work in positions where tertiary education is needed, the increase will be 23.7%. The minimum wage rise will impact about one-third of all workers, with most of the burden supported by the private sector, which employs almost all of the minimum paid workers and brings some additional revenues to the state budget.

Wage growth driven by public wage policies



Source: NIS, ING

The stretched road ahead

Job creation has been slowing down lately while the space for additional fiscal impulse looks limited if the government sticks to the budget deficit target of 3.0% of GDP. Also, the number of total employees in the private sector seems to be levelling off due to a mix of higher labour costs, migration- which has led to a scarcity of labour- and an economic slowdown. However, with a heavy electoral calendar ahead of us and migration still exacerbating the labour scarcity, we still expect wage growth in 2019 to remain in double digits.

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