

## 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



Source: Shutterstock

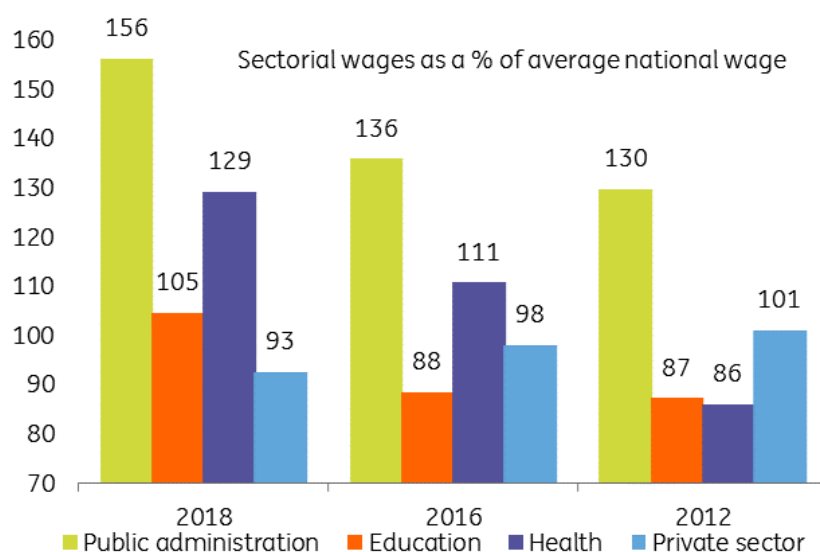
### Private sector wage growth remains more tightly managed

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

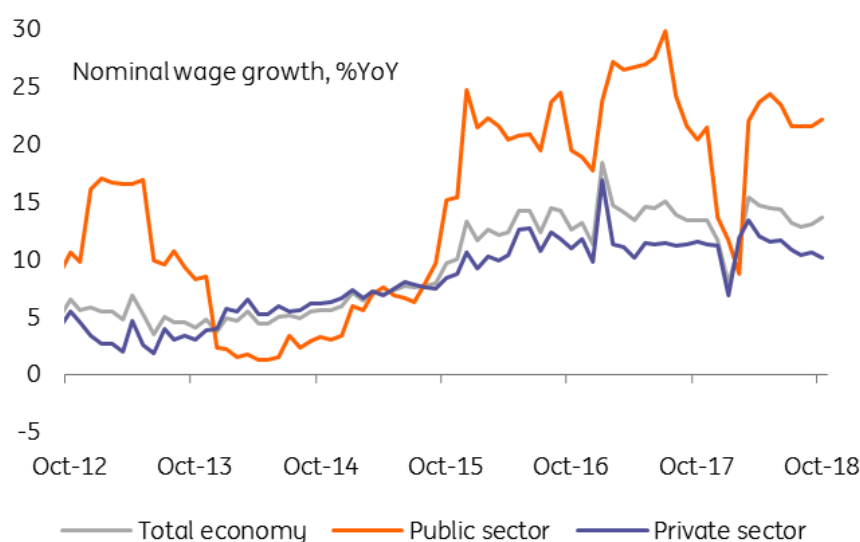


Source: NIS, ING

## 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.

### Author

#### Valentin Tataru

Chief Economist, Romania

[valentin.tataru@ing.com](mailto: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 [www.ing.com](http://www.ing.com).