

Romania: Unemployment hits all-time low

The unemployment rate came in at 4.5% in March as job creation accelerated for the first time since May-17



Source: shutterstock

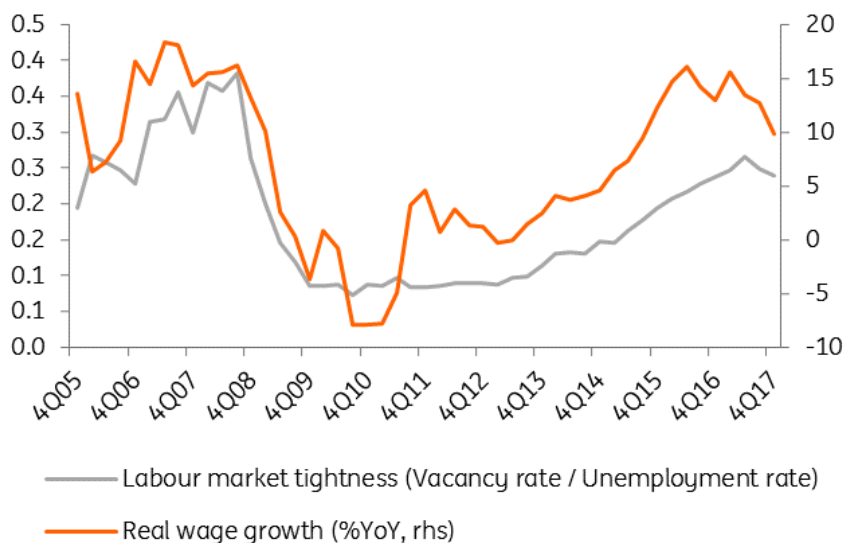
4.5%

March unemployment rate

New all-time low

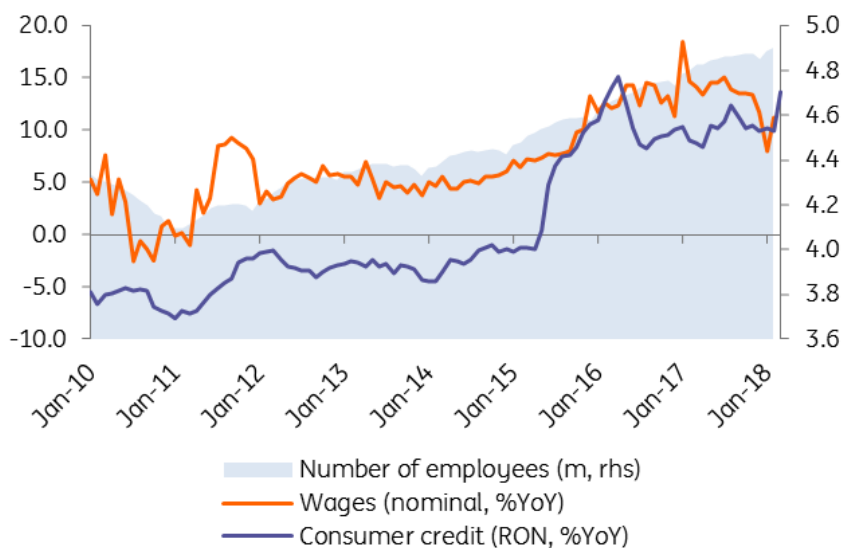
Despite the positive data, the labour market is showing signs of easing, as the vacancy rate inched lower and somewhat surprisingly, fewer companies in industry indicated labour as a factor limiting their production capacity. This could be an incipient result of increased automation employed in the productive sector, in order to overcome the labour supply limitations, but also to potentially offset the pressure on wages, including from administrative measures, which increased the minimum net wage by c.10% at the start of the year. Job creation on a 12-month rolling basis reached 107.8k in Feb-18, posting a modest but still encouraging acceleration from 106.6k in Jan-18, while still being far from the all-time high of 164k in Jan-17.

Easing labour market



Source: EC, NIS, ING

Good prospects for consumption



Source: NIS, NBR, ING

While inflation is starting to take its toll on real incomes- after the CPI printed 5% in March- real interest rates are still deep in negative territory, which should allow consumers to keep on spending. This is backed up by the latest lending data, which shows consumer loans accelerating despite higher interest rates.

All in all, today's data is one of the few positives so far in 2018. Slower growth and higher inflation have set the scene for the first few months of the year. Hence, any bit of help coming from domestic consumption on the back of a stronger labour market could keep sequential growth

positive in 1Q18.

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